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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2096

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CZECHOSLOVAKIA

BRIEFS

APPRENTICES FROM FAR EAST--Over 10,000 Vietnamese have completed their apprenticeship in the CSSR since first arriving in 1968. The Vietnamese arrive for a 6-year stay which includes 6 months of Czech language training, 2-3 years of apprenticeship and the rest of the time employment as a qualified worker. Since 1974, the training of Vietnamese apprentices has been incorporated in the Czechoslovak apprentice education system. The Vietnamese return home as industrial and agricultural experts. Apprentices have been arriving in the CSSR from Mongolia since 1978 and from Laos since 1980. [Prague SVOBODNE SLOVO in Czech 4 Jan 81 p 1]

CSO: 2400

REPORT ON 1980 ECONOMIC PLAN FULFILLMENT PUBLISHED

East Berlin NEUES DEUTSCHLAND in German 17-18 Jan 81 pp 3-5

/Report by State Central Administration for Statistics on the Implementation of the 1980 Economic Plan: "In 1980 the GDR Achieved the Highest Total Economic Output to Date"

/Text In 1980, led by the SED, the working people of the GDR accomplished outstanding performances in the socialist competition for the comprehensive implementation of the Ninth SED Congress decisions and the appropriate preparation of the Tenth SED Congress. The hitherto unprecedented popular initiative in honor of the Tenth SED Congress reflects the fact that there has been a deepening in the confidence of the working class, the cooperative farmers, the socialist intelligentsia and the other working people in SED policies. The main task decided upon by the Ninth SED Congress in its unity of economic and social policy for the welfare of the people was successfully pursued in difficult external conditions and vigorously supported by advanced performances.

Notable advances have been achieved in the realization of the program of growth, stability, full employment and popular prosperity. Utilizing the strength of the SED and thanks to the comprehensive initiatives and strenuous labors of the working people in the socialist competition conducted by the labor unions, the struggle for the all-round fulfillment and purposeful overfulfillment of the 1980 economic plan has been successfully carried on. In industry a plan advance of more than 2.5 working days was achieved with regard to industrial goods production.

Stable and dynamic economic growth continued and even speeded up in important areas, thanks to the wealth of initiatives of the working people. Total economic output in 1980 was greater than ever before. That resulted in the further strengthening of socialism in the GDR, the improvement of its stability and power of international attraction. The most important prerequisites for the advance of economic capacity were provided by greater attention to improved efficiency and quality with respect to all work.

A tremendous impetus was given the competition by the plenums of the SED Central Committee and the inspiring address by Comrade Erich Honecker, general secretary of the SED Central Committee and chairman of the Council of State, to the activists conference signaling the opening of the 1980/1981 party school year. This gave us the slogan "the best for the Tenth SED Congress! Everything for the welfare of the people!" The competition was powerfully encouraged and supported by the labor unions and the "FDJ party congress initiative."

Our economy is firmly based on the fraternal alliance with the Soviet Union and the indissoluble ties between the GDR and the socialist community of nations. Economic and scientific-technological cooperation with the Soviet Union is a pillar of the GDR's stable economic development. The interlinking of the two countries economies has increased on the basis of the GDR/USSR program of production specialization and cooperation through 1990. The tasks involved in the further deepening of socialist economic integration within CEMA were carried out as per plan.

Overfulfillment of the targets derived mainly from the improved utilization of the qualitative factors of economic growth by way of socialist intensification and rationalization. The advanced growth of output was almost completely achieved by the improvement of productivity, using the same or only slightly larger volume of energy, raw materials and other materials. The cost/result ratio has further improved. We succeeded in speeding up scientific-technological progress and better applying the results for the benefit of the economy. Considerably increased thereby was the push of socialist rationalization. Modern technologies and processes designed to save working hours and jobs have been made far more production effective.

The material-technical base was strengthened as planned. Extensive constructive and resolute work was done in all sectors for the speedier development and application of microelectronics. The implementation of the measures decided upon for the development, production and use of industrial robots was energetically pursued.

The advance in performance and efficiency enabled us to maintain the achievements of our economic and social policy and further to raise the material and cultural standards of living of the public. Notable advances were recorded in the realization of the sociopolitical program.

The economic and sociopolitical results achieved and the work on future oriented tasks convincingly demonstrate that the social planned economy is indeed the crucial total societal factor in the necessary increase in the growth and efficiency of production. The establishment and development of combines initiated a new stage in the progress of industry. More and more did they confirm their value as a type of modern management of socialist industry and were therefore preeminent in the improvement of the economy's capacity and the speed-up in growth.

The actions of our young people in the "FDJ party congress initiative" take an honorable place in this satisfactory report. To be singled out are the achievements of the youth brigades. By their activism in the "Join in!" competition millions of citizens helped make daily life more pleasant.

The following main results were achieved in the implementation of the 1980 economic plan:*

- Compared to 1979 the gross national product rose by 4.2 percent. This growth resulted almost entirely from rising productivity, while primary energy use declined in absolute terms, and the volume of raw materials and other materials used remained basically the same or increased only slightly. This bears witness to the considerably greater capacity of the national economy. Industry has the largest share in the growing gross national product; its net product increased by 5.5 percent.

* Preliminary figures

- Industrial goods production rose by 4.7 percent. Growth in the scope of the industrial ministries amounted to 5.4 percent. It is evidence of the dynamism of economic development that M16.9 billion more industrial goods were turned out for the supply of the public and the economy as well as for exports. The plan of industrial goods production was fulfilled to 101.0 percent. In the socialist competition in honor of the Tenth SED Congress the state combines manufactured industrial goods production amounting to 2.5 days output over and above the plan, largely with materials gained by conservation.
- A rise was recorded in the contribution of the qualitative factors of economic growth far exceeding the targets. Greater productivity and efficiency permitted the overfulfillment of the plan of net production in the scope of the industrial ministries. Basic materials costs per M100 goods production fell below the plan. Consistent orientation to the most efficient use of material funds made it possible to lower the specific consumption of important types of energy, raw materials and other substances by 5 percent, that is more than in the preceding years. The growth in output was achieved for the first time without a corresponding rise in energy use.
- Productivity in industry rose by 5.1 percent. Productivity per working hour was 5.6 percent higher than in the previous year. Factory costs were reduced below the plan targets.
- The quotas of the state plan science and technology were fulfilled to 102.5 percent. Seventy-six percent of the realized transfers of results from the state plan science and technology helped set advanced international standards. The proper conditions were provided for producing an output volume of M6.5 billion with greater efficiency and improved quality.

More than 90 percent of the improved productivity in industry are due to the extensive application of the results of science and technology.

- M54 billion were invested in the planned strengthening of the material-technical base and the further realization of the sociopolitical program, including investment participations in the USSR and other CEMA countries. Investments rose by 4 percent in the scope of the industrial ministries. Socialist rationalization was speeded up by giving investment priority to the renewal, modernization and reconstruction of production plant.
- Output in the construction industry rose to M35.1 billion. The output plan in that industry was fulfilled to 100.9 percent. Achieved thereby was a plan advance of 2.3 working days.

The working people in the construction industry managed further to raise efficiency. The targets of the housing construction program were exceeded by 6,223 units. By constructing or modernizing 169,223 housing units the industry recorded its greatest annual result so far. Housing conditions were consequently pleasanter for more than half a million citizens. Among the units made available 120,206 were newly constructed, 49,017 modernized.

- The working people in transportation made great efforts to cope with the challenging transportation needs especially in the harvest period and at the time of winter stockpiling. A total of more than 1.1 billion tons of goods were carried. The plan of freight transportation was fulfilled. In accordance with the economic requirement for the greatest possible transportation and energy conservation transports were increasingly shifted to the railroad. Railroad freight transport services grew by 4 percent.
- Despite poor weather the cooperative farmers and workers of the LPG's, VEG's and cooperative facilities brought in a good harvest. The planned harvest result for crop production was generally achieved and even exceeded by 2 percent. Recorded was the third largest harvest since the establishment of our republic. The state yield of animal production was overfulfilled with respect to all products. The livestock available responded to the planned dimensions for 1980. This provides the proper prerequisites for the fulfillment of the 1981 plan.
- The planned export targets with regard to the USSR and the other CEMA countries were met or exceeded. Some 70 percent of the foreign trade turnover were accounted for by the socialist countries. Exports to the developing countries rose by 36 percent and to the capitalist industrial countries by 27 percent.
- Net cash incomes of the people rose by M3.3 billion to M121.3 billion. Based on the increases in social security payments, which took effect on 1 December 1979, social security pensions rose by an average of 10 percent.
- Retail trade turnover almost achieved M100 billion. It rose by 4.3 percent or M4.1 billion. The plan for the manufacture of finished products for the public was overfulfilled in all sectors of industry. Industry made available to the public M3.9 billions worth of finished products more than in 1979. This exceeded the plan targets by M1.6 billion. Services and repairs for the public rose by M198 billion.
- State subsidies from social funds to ensure stable prices for essential goods and for fares, the housing administration and maintenance of stable rents as well as other subsidies and services to the public amounted to M52.7 billion, 7 percent more than in the previous year.
- Further progress was recorded in the improvement of quality instruction and education within the sector of public education. Material and personnel conditions have again improved. Made available were another 3,783 classrooms and 17, 652 kindergarden places.
- Medical and social care for the public was further improved. Made available were 228 additional medical and 158 additional dental offices as well as 11,992 creche places. Convalescent, recuperative or preventive spa treatment was enjoyed by 357,000 citizens.
- At the Olympic Games, world and European championships our sportsmen achieved great international success; the popular sports movement continued to expand.
- Artists and craftsmen created new works and thereby contributed to the enrichment of intellectual-cultural life.

Berlin, the GDR capital, continued to be purposefully organized as the political, economic and intellectual-cultural center of the socialist GDR. Involved in this undertaking were working people from all bezirks and sectors, especially the 13,000 young people participating in the "FDJ initiative Berlin"

National defense and internal security and order were given a sound economic base as an indivisible element of the plan.

I. Industry

Thanks to the extensive initiatives and strenuous efforts of the working people in the socialist competition in honor of the Tenth SED Congress the plan of industrial goods production was exceeded every month.

The state quotas of industrial goods production were fulfilled to 101.0 percent. All sectors have exceeded the plan of industrial goods production. The combines in the scope of the industrial ministries made available to the economy above plan output corresponding to a production volume of more than 2.5 working days. This additional output was achieved largely with materials saved by way of conservation. The combines thereby exceeded the obligations assumed in Gera last March on the occasion of the exchange of experiences between the Central Committee and the general directors and party organizations of the central committee of industry and construction.

In the scope of the industrial ministries the volume of industrial goods production rose by 5.4 percent. This increase was achieved with a smaller than planned growth in the consumption of raw materials, other materials and energy.

Enterprises in the scope of the
Ministry for

Fulfillment of the 1980 State Plan Quota of
Industrial Goods Production (percentage)

Coal and Energy	101.2
Ore Mining, Metallurgy and Potash	100.8
Chemical Industry	100.7
Electrical Engineering and Electronics	101.2
Construction of Heavy Machinery and Equipment	100.8
Construction of Machine Tools and Processing Machinery	100.8
Construction of General Machinery, Agricultural Machinery and Vehicles	100.9
Light Industry	101.4
Glass and Ceramics Industry	101.7
District Managed Industry and Foodstuffs Industry	101.1

The greater productivity and efficiency of labor made it possible to exceed the planned net output in the scope of the industrial ministries. The industrial enterprises

managed centrally lowered basic material costs per M100 goods production more than planned. As a result materials to the value of M768 million were saved.

The plan of industrial goods production was fulfilled or overfulfilled by 132 of the 133 state combines and VVB's /associations of state enterprises/ of industry, the plan of industrial goods production and net production by 131. In 1980 9 combines recorded a 10 percent growth (and above) for industrial goods production and net production combined with a shortfall in the planned basic material costs per M100 goods production. They are the state combines Umformtechnik Herbert Warnke /Herbert Warnke Processing Equipment/, Werkzeugmaschinenkombinat Fritz Heckert /Fritz Heckert Machine Tool Combine/, Carl Zeiss, Mikroelektronik /Microelectronics Combine/, Robotron, Rundfunk und Fernsehen /Radio and Television/, ORSTA Hydraulik /ORSTA Hydraulics/, Kernkraftwerke Bruno Leuschner /Bruno Leuschner Nuclear Power Plants/ and Anlagenbau Braunkohle /Brown Coal Plant Construction/.

Comprehensive use of the three basic indices of performance evaluation--industrial goods production, net production and basic material costs per M100 goods production--has effectively encouraged output growth and the initiatives of the working people for greater efficiency and better product quality as well as the lowering of production consumption.

Industrial goods production in the scope of the bezirk economic councils was realized to 101.3 percent. The rise in output amounted to 3.8 percent. All bezirk economic councils have exceeded the plan of industrial goods production.

Significant performances were recorded with regard to the rise in output of industrial consumer goods. The planned sale of finished goods for the public was exceeded by M1.6 billion. Available were additional finished goods to the value of M3.9 billion or 9 percent. The selection of consumer goods was widened by products with better functional value and easier to maintain.

The economy and the public received adequate supplies of fuel and energy. The production plans were exceeded for such important energy sources as city gas raw brown coal, brown coal briquettes and brown coal high temperature coke. Strip mines produced more raw brown coal than planned. The public received 800,000 tons more of brown coal briquettes than in the previous year.

There was greater emphasis on the conversion of energy output from heating oil to brown coal. Energetic management and many initiatives by the working people encouraged the thrifty handling of energy and the reduction of energy consumption in all sectors of the economy. Good results were recorded in the reduction of heating oil consumption.

The working people of the geological industry have achieved the planned targets with respect to the exploration of domestic raw materials and groundwater. The demand for natural gas from GDR deposits was met daily.

Water management ensured stable supplies of potable and non-potable water to the public, industry, agriculture and other users. The work on the reconstruction and expansion of supply facilities continued as planned, and more progress was recorded in the utilization of existing facilities. The capacity increase of the waterworks amounted to 1250,000 cubic meters per day and that of sewage plants to 265,000 cubic meters

per day. New central facilities made potable water available to another 115,000 residents. Carried out in accordance with the plan targets were flood control and damming projects as well as projects concerned with water for farming.

The output targets for the majority of important raw materials and components were met or exceeded. Above average growth rates were achieved for, among others, nitrogen fertilizer, shock resistant polystyrene, cone belts, large and medium electric machines, special technical equipment for the manufacture of electronic and electrical engineering products, plug connections, digital controls, semiconductor components and electrical subassemblies, bipolar analog monolithic integrated circuits, pumps, hydraulic products, metal cutting machine tools and optical glass.

A substantial output growth was achieved for important machines and equipment of the greatest importance for rationalization and exports as well as for various consumer goods.

Development of the Output Volume of Important
Products 1980 Compared to 1979

Percentage

Electrical energy	102.0
Raw brown coal	100.9
Brown coal briquettes	102.0
Finished rolled steel products	101.6
Products of metallurgical further processing	103.8
Steel pipes, second processing stage	114.1
Cement	101.4
Thin-gauge sheet, hot rolled	101.8
Cold strip, total	104.5
Potash fertilizer	100.8
Nitrogen fertilizer	107.4
Polyvinylchloride	135.0
High pressure polyethelene	134.3
Polystyrol, shock resistant	113.0
Synthetic fibers	103.2
Electrical installation material	106.4
Semiconductor subassemblies and electronic building blocks	120.6
Bipolar analog monolithic integrated circuits	128.1
Digital controls	116.5
Metal cutting machine tools	108.1
Cold forming machine tools	111.4
Plastics and rubber processing machines	106.2
Machines and equipment for the textile, clothing and leather industry	106.8
Farm machines	113.5
Fittings	107.0
Industrial gears	108.0
Pumps	109.7
Hydraulic products	111.0
Roller bearings	111.3
Low voltage switchgear	107.0

Devices and equipment for control and regulation	106.1
Furniture and upholstery	105.0
Knitwear	102.4
Hosiery	102.0
Household washing machines	107.9
Household refrigerators (including household freezers)	103.8
Gas stoves	107.3
Textile floor covering	114.5
Household and hotel china	103.8
Shoes	116.3
	101.8

The overfulfillment of the output targets in industry is based mainly on the better utilization of the qualitative factors of economic growth by way of socialist intensification and rationalization.

Rising productivity yielded 94 percent of the output growth. Compared to the previous year it grew by 5.1 percent and 5.6 percent per hour worked in the scope of the industrial ministries.

Ninety-six industrial combines achieved an additional rise in productivity by at least 1 percent above the plan; 48 combines increased productivity more rapidly than goods production. In 22 combines productivity per working hour increased by 10 percent and better. They include the combines: Mansfeldkombinat Wilhelm Pieck, Robotron, Carl Zeiss, Automatisierungsanlagenbau /Automation Equipment Construction/, Mikroelektronik, Werkzeugmaschinenkombinat Fritz Heckert and Umformtechnik Herbert Warnke.

The tasks involved in raising product quality have been accomplished with steadily rising success. Roughly 25 percent of industrial goods production subject to testing was turned out at top quality. Consequently the value of those industrial products which meet or set the highest scientific-technological standards amounts to a total of M39 billion. Largely involved here are the 494 enterprises awarded the title "enterprise of distinguished quality work."

Costs per unit of goods production for rejects, reworking and warranty services declined by 8 percent compared to the previous year and were generally held below the planned levels.

Significant advances were recorded in the in-house production of rationalization aids. Industrial combines turned out and used M2.4 billions worth of rationalization aids. This meant an additional (above plan) output of rationalization aids to the value of M255 million. Growth as compared to the previous year amounted to 18 percent. In 1960 16 percent of total equipment investments in the scope of the industrial ministries were accounted for by the in-house manufacture of rationalization aids. The construction output of industrial enterprises with their own building departments rose by 8 percent.

Many varied initiatives and obligations of the working people in the socialist competition honoring the Tenth SED Congress and the increased application of scientific-

technological findings recorded good results in the further improvement of energy and materials management. It was possible to reduce the specific use of important energy types, raw materials and other substances by 5 percent, that is faster than in preceding years.

The metal processing industry lowered specific rolled steel use by more than 6 percent.

Consistent orientation to the most effective use of material funds was an essential precondition for the fact that the great 1980 output growth was achieved for the first time without a corresponding rise in the use of primary energy. At the same time as noting the absolute decline in primary energy consumption by 1 percent, we recorded substantial growth rates for industrial goods production, freight transports by the railroad and agriculture.

In the case of important kinds of energy such as electric energy, district heat, diesel fuel and heating fuel, consumption was reduced below the plan target in the majority of combines, enterprises and institutions. In the scope of the industrial ministries the specific use of energy declined by 5 percent.

The recovery and recycling of secondary raw materials currently serve to meet some 10 percent of our needs for industrial raw materials. The introduction of higher purchasing prices for metallic and nonmetallic scrap benefited the rise in yield from household and commercial collections. Compared to 1979 30 percent more steel scrap was collected, 22 percent more bottles and glasses, and 6 percent more waste paper.

A great deal of credit for this development is due the members of the FDJ and the Pioneer organization. Their "materials conservation action" managed, by materials savings and the recovery of secondary raw materials, to yield a profit in excess of M1.4 billion.

The utilization of industrial production capacities amounted to an average of 15 hours per calendar day in 1980. Roughly 75 percent of industrial combines achieved a better level of utilization than in the previous year. Satisfactory results were recorded especially in the metal processing industry. Among the combines registering the greatest advances in this field are: Mikroelektronik, Umformtechnik Herbert Warnke, Getriebe und Kupplungen /Gears and Couplings/ and the Schwermaschinenbaukombinat Ernst Thaelmann /Ernst Thaelmann Heavy Machine Construction Combine/.

By operating a three-shift system throughout, the enterprises of the data processing combine succeeded in achieving the greatest possible utilization of all EDP facilities and shortening the running-in phase in new facilities.

Other reserves for the more intensive utilization of production plant consist in finding ways to level persisting differences in the standard of utilization between technologically comparable combines and enterprises.

Costs were lowered more than planned. The planned cost target was observed or lowered in 104 combines and VVB's of industry; they recorded savings in excess of M1 billion. Another 27 combines achieved a 1 percent or more decline in planned factory costs.

Environmental control measures were pursued as planned, especially in the industrial conurbations.

II. Science and Technology

The contribution of science and technology continued to increase with respect to the overfulfillment of output targets and the strengthening of our economic power.

The growth achieved in productivity, efficiency and production quality is largely the result of the further intensification of scientific-technological work.

The targets of the state plan and enterprise plans science and technology were steadily met.

In the socialist competition in honor of the Tenth SED Congress the socialist collaboration of scientists, researchers, rationalizers and innovators in combines and enterprises, academies, universities, colleges and technical schools was even more emphatically directed to the development of top performances and their transfer to production. In 1980 76 percent of the realized transfer tasks of the state plan science and technology helped set the most advanced international standards. The top performances of the plan science and technology provide the prerequisites for turning out a production volume of M6.5 billion with greater efficiency and improved quality.

Among the machines and equipment introduced to production are industrial robots with spot controls for the manufacture of household appliances, sheet-fed offset rotary presses with improved mass-performance ratios, superfinish grinding machines for the internal and external processing of ball bearing rings, coordinate table drilling machines and cross slide table milling machines with CNC 600, flat knitting machines and multipurpose container ships, rail passenger and restaurant cars for export.

In the development and production of components more improvements were recorded. In the majority of component factories quality got noticeably better. Among the important components transferred to production are telecommunication cables with a corrugated aluminum casing (saving lead), the U 118 watch circuit, extremely fine wire for microelectronics, diesel fuel additives, refrigerator lubricants, sealants for hydraulic jacks, frame structures with box sections for light metal structures, and the introduction of another PVC-S type for the greater refinement of products.

The transfer to production of modern technologies and processes contributed to the improvement of productivity and materials and energy management. Examples are micro-processor controls for passing gases through a blast furnace, novel foil rolling and processing equipment for aluminum foil, new computer controlled flame cutting machines and the mechanization of rust removal and rustproofing of ships sidewalls in docks, technologies and equipment for the manufacture of high-energy objects for microelectronics, a continuous wire rolling mill for the steel works and rolling mill at Brandenburg, the recovery of iron concentrate from brown coal filter ash and modern technologies for the production of carpets.

To provide the public with high-quality consumer goods well-made and reliable products were introduced to the manufacturing process, such as upholstered furniture combining comfort and favorable materials use, a new swing-arm household sewing

machine, new quartz alarm clocks, hi-fi stereo cassette recorders class II, new field glasses and printed velour and Liroflor carpets.

Satisfactory progress has been recorded in many enterprises and combines regarding the rise in the output of goods with the highest quality mark, the curtailment of development delays and the early transfer of scientific-technological results to production. That helped raise productivity, efficiency and product quality and made available more and better finished products for the public, the national economy and exports. Reserves still exist in some areas for further raising the proportion of products and processes at top international standards, which result in the greater refinement of raw materials and higher export profitability.

The further rise in patent applications reflects the higher scientific-technological standard of the results of research and technology. Compared to the previous year the discoveries notified to the patent office increased by 7 percent.

Socialist rationalization contributed to the advance of output and efficiency in all sectors of the economy. Modern technologies and processes were increasingly introduced. Extensive, constructive and steady work is being done in all sectors in order more rapidly to develop and use microelectronics in the national economy. The implementation of the decisions on the development, production and use of industrial robots was purposefully pursued. In 1980 the numbers of industrial robots used in the economy rose to 320, 244 of which were operating in the metal processing industry. Their use facilitated the doubling and even quadrupling of productivity, helped raise product quality and improved the working conditions of the working people.

Scientific-technological cooperation with the USSR and the other CEMA countries deepened and contributed to speedier answers to scientific-technological questions. The targets set together with the USSR by government treaties and ministerial agreements were generally met.

The increased application of scientific-technological results as well as measures of scientific labor organization in industrial, construction and transportation enterprises provided a significant contribution to the more effective utilization of the social labor capacity coupled with improvements in working and living conditions. In 1980 these enterprises saved 394 million working hours. This saving corresponded to the annual working hours of 220,000 blue and white collar workers. More than 90 percent of the rise in productivity in industry are due to the extensive utilization of scientific-technological results.

The use of scientific labor organization transformed and reorganized 219,000 jobs while eliminating difficult and hazardous working conditions for 37,000 working people.

Basic scientific, mathematical and technical research in the institutes and facilities of the GDR Academy of Sciences and the Ministry for University and Technical School Affairs was even more emphatically directed to the settlement of basic scientific issues, especially scientific advance work for the development and use of microelectronics, the improvement of the technological standard of production and of energy and materials management. Among the outstanding successes were the development, construction and testing of a new generation of plant for breeding silicon monocrystals for microelectronics, the optimalization of multimetal catalyzers for the aromatization of oil distillation, work on the theory of the structure of atomic nuclei.

In some fields it will be necessary even more to emphasize the purposeful utilization of scientific-technological advances for greater economic growth, especially by the achievement of top performances.

The more than 1.7 million innovators and rationalizers in the state run economy had a significant share in the implementation of scientific-technological advances. The annual profit of the innovations introduced amounted to more than M4.5 billion. Innovator efforts in the socialist competition largely contributed to the conservation of working hours, materials and energy as well as to larger cost reductions and the further improvement of working and living conditions.

The 23rd Central Fair of the Masters of Tomorrow represented an appropriate accounting and inspiring exchange of experiences of the scientific-technological endeavors of our young people in preparation of the Tenth SED Congress. The exhibits shown in Leipzig were selected from the more than 740,000 submitted at the local fairs of the masters of tomorrow held in 1980. Involved in the preparation of the fair exhibits were some 2.5 million adolescents in enterprises, cooperatives, schools and facilities, the National People's Army and other armed organs. To be singled out are the scientific-technological achievements of the youth brigades. In excess of 14,000 young workers more than last year were involved in the fair movement. Eighty percent of the 1,940 exhibits shown at the 23rd Central Fair of the Masters of Tomorrow represented the implementation of tasks arising from the plans science and technology, and nearly 60 percent of exhibits were offered for general application.

III. Investments

A total of M56 billion was invested for the planned strengthening of the material-technical base of the economy and the further implementation of the sociopolitical program. This figure includes investment participations in the USSR and other CEMA countries. Investments rose by a total of 2 percent. The rise in the scope of the industrial ministries amounted to 4 percent and in complex housing construction to 5 percent.

Investment implementation speeded up in many enterprises. Consequently some investment projects were completed ahead of time, thus yielding a greater rise in output. Investments completed in 1980 resulted in the 1980 production of M9 billions worth more goods than in the preceding year.

Sixty percent of the investments used in industry served the further expansion of the energy and raw materials base.

Socialist rationalization speeded up due to the priority use of investments for renewal, modernization and reconstruction. More than two-thirds of investments in the metal processing, light, textile and foodstuffs industries were used for rationalization.

More progress was recorded in the renewal and modernization of industrial capital equipment stocks. Almost half of these stocks are now either partly or fully automated.

It was possible already at the preparatory stage of investments increasingly to realize the principle of the greatest possible efficiency and concentrate all efforts in accordance with the appropriate priorities and sequences.

Significant results were achieved by the priority use of investment funds for the utilization of scientific-technological advances, especially of microelectronics and robot technology. More manpower was freed in 1980 in connection with investments, that is by more rationalization, than in earlier years. This provided a better ratio between jobs saved and new jobs. Some combines, especially in the metal processing industry, managed by way of investments to save more manpower than hire new staff. These include, among others, the Carl Zeiss Combine, Uniformtechnik Herbert Warnke, Polygraph Werner Lamberz /Werner Lamberz Printing Machines/, ORSTA-Hydraulik and the Werkzeugmaschinenkombinat Fritz Heckert. Generally, though, even greater efforts are required to accomplish everywhere the task by a thoroughgoing change in the ratio of new construction to rationalization to free more manpower than is called for to man the completed investment projects.

The majority of investment projects were carried out as per plan and completed on schedule. In 1980 263 centrally planned projects were to be completed; 251 are in full operation. Another 6 plants started up ahead of time. That made it possible more quickly to transfer scientific-technological results to production. Investment implementation proceeded as planned for the majority of projects to be completed in 1981. By lowering new starts we obtained the prerequisites for another cut in construction delays.

The most important plants taken into service include:

- For energy and raw materials production three 175 megawatt blocks in the Markersbach pump storage station, the plant complex for the production of PVC in the VEB Chemische Werke Buna /Buna Chemical Works VEB/, the electric steel plant at the parent enterprise of the Brandenburg VEB Qualitäts- und Edelstahlkombinat /High-Grade and Superior Alloy Steel Combine VEB/, potash fertilizer capacities in the Merkers VEB Kalibetrieb Werra /Werra Potash Enterprise VEB/. The expansion of the Boxberg power plant was completed. At 3,250 megawatt capacity it is now the largest brown coal power plant in Europe;
- Plants for products of electrical engineering and microelectronics, such as special products for scientific device construction at the Carl Zeiss Jena VEB, control panels for industrial facilities at the Berlin VEB Elektroprojekt und Anlagenbau /Electrical Engineering Project and Plant Construction VEB/, industrial measuring, control and regulation technology plants at the Teltow VEB Geräte- und Reglerwerke /Device and Regulator Works VEB/, plug connections and printed circuit boards at the Gornsdorf VEB Kontaktbauelemente und Spezialmaschinenbau /Contact Component and Special Machine Construction VEB/, low-voltage switchgear at the Oppach VEB Schaltelektronik /Electronic Switching VEB/, solid state circuits at the Erfurt VEB Funkwerk /Radio Works VEB/ and the Frankfurt/Oder semiconductor works, special equipment for microelectronics at the Dresden VEB Zentrum fuer Forschung und Technologie Mikroelektronik /Center for Microelectronics Research and Technology VEB/;
- Capacities for components, for example for gears and standard motors at the Thurm VEB Elektromotorenwerke /Electric Motor VEB/, single-phase and rotary current standard motors at the parent enterprise of the Dresden electric machine construction combine, diesel engines at the Schoeneberg VEB Dieselmotorenwerk /Diesel Engine Works VEB/, plant for polyamide Dedotex /fabric/ at the Wilhelmshagen Stadt Guben VEB Chemiefaserwerk /Synthetic Fiber Works VEB/, fabrics for bed linen at the Mittweide VEB Waesche-Union /Union Household Linen VEB/, cotton

yarns at the Werdau VEB Baumwollspinnerei und Frikotagenwerke /Cotton Spinning and Knitting Works VEB/, Dedotex yarns at the Cottbus VEB Textil- und Konfektionsbetrieb /Textile and Clothing Enterprise VEB/, wet fleece glass fiber at the Steinach VEB Trisola, laminated foil at the Markkleeberg VEB Polyfol;

- Capacities for investment goods such as rolling mill equipment at the parent enterprise of the Magdeburg VEB Schwermaschinenbau-Kombinat Ernst Thaelmann, metal cutting machine tools at the Gera VEB Werkzeugmaschinenfabrik Union /Union Machine Tool Factory VEB/, packaging machines at the Dresden VEB Verpackungsmaschinenbau /Packaging Machine Construction VEB/ and Magdeburg Brauerei- und Kellereimaschinenfabrik /Magdeburg Brewing and Cellarage Machine Factory/, electric locomotives and turntables at the Hennigsdorf VEB Lokomotivbau Elektrotechnische Werke Hans Beimler /Locomotive Construction Electrical Engineering Works Hans Beimler VEB/, strip mining equipment at the Magdeburg VEB Schwermaschinenbau Georgi Dimitroff /Georgi Dimitroff Heavy Machine Construction VEB/, agricultural machines at the Leipzig VEB Bodenbearbeitungsgeraete /Soil Cultivation Devices VEB/ and the parent enterprise of the Neustadt Kombinat Fortschritt Landmaschinen /Progress Farm Machine Combine/;
- For the greater availability of consumer goods to the public production plants were expanded and modernized, for example the Sebnitz VEB Elektrowerkzeuge /Electric Tool VEB/, Stassfurt television works, Malchow Teppichwerk Nord /Northern Carpet Works/, Thuringian Knitwear of Apolda, Suhl Fahrzeug- und Jagdwaffenwerk Ernst Thaelmann /Ernst Thaelmann Vehicle and Hunting Rifle Works/, Genthin laundry detergent works, Berlin bakery combine and Berlin beverage combine.

Investments in the amount of M12 billion were allocated to complex housing construction, education, health care and social welfare, culture, recreation, physical culture and sports. Among the projects completed are 110 dual-stream secondary schools, the Neubrandenburg School for Physically Handicapped Students, the Muehlhausen School for Backward Children and the boarding section of the Schleiz Special School for the Deaf, another wing of the Neubrandenburg Bezirk Hospital, the new student cafeteria at Dresden Technical University, student dormitories at the Zittau and Wismar engineering colleges as well as the Guestrow Pedagogical College, the second wing at Cottbus Engineering College and the Naumburg youth hostel.

Fifty-six new supermarkets were built to improve amenities for shoppers.

Pursued as planned were the reconstruction and new building operations for the Charite Hospital, the construction of a sports and recreation center and the reconstruction work at the Platz der Akademie in Berlin, the GDR capital, the reconstruction of the Semper Opera House in Dresden and the work on the Gewandhaus Concert Hall in Leipzig.

IV. Construction Industry

The working people of the construction industry achieved satisfactory results in plan implementation. The preparation, conduct and evaluation of the Seventh Construction Conference gave a strong impetus and produced many initiatives in the socialist competition.

Construction industry output rose to M35.1 billion. The plan was fulfilled to 100.9 percent. That corresponds to a plan advance of 2.3 working days. All centrally managed combines of the construction industry and locally managed enterprises in every Bezirk have exceeded the plan targets.

Particularly great increases in output and overfulfillment of plan quotas were recorded by the Erfurt construction and assembly combines for coal and energy, the special construction combine for waterworks construction, the housing construction combines Potsdam and Magdeburg as well as the tile and porcelain bathroom fixtures, technical building equipment and construction mechanization combines.

The plan of net production was exceeded, coupled with the observance of the planned basic materials costs per M100 construction output. The plan of building production was fulfilled to 100.4 percent. The construction capacities were increasingly used in accordance with economic requirements so as to safeguard the unity of new construction, modernization, reconstruction and building maintenance.

In the scope of the industrial ministries construction is more and more concentrated on rationalization and reconstruction projects. Building output by industrial enterprises with their own construction departments rose by 8 percent.

The output of building materials and products of the prefabrication industry fulfilled the plan to 101.3 percent. For important items such as doors, asbestos cement pressure pipes, heating surfaces and porcelain bathroom fixtures the plan targets were exceeded.

The qualitative factors of growth were used to better effect in the construction industry. Productivity rose faster than provided for in the plan. The transfer to production of 729 introductory tasks from the state plan and the enterprise plans science and technology resulted in a further rise in capacity and greater efficiency. The advanced development of products and technologies permitted reductions in the specific consumption of important materials such as rolled steel and lumber. Reserves for continued economic growth, greater efficiency and better quality are to be found mainly in a leveling of the differences in performance development between combines and more reductions in prime costs.

The plan was exceeded by 6,223 housing units, achieving a total of 169,223 new and modernized units. That is the best annual result ever achieved in housing construction. New buildings account for 120,206 housing units, and that figure includes one-family homes; 49,017 units were modernized. All Bezirks exceeded the plan for new housing. Some kreises did not manage to accomplish the planned tasks for new housing or failed to locate such housing on the planned sites.

Completed in 1980 were the following child care and school facilities: 17,652 kindergarten places, 3,783 classrooms, 161 gymnasia and 11,992 day care places. The plan was generally exceeded in the case of kindergarten places, classrooms and day care places.

The following Bezirks registered major arrears at the end of December:

Berlin: 110, kindergarten places, 26 classrooms, 3 gymnasia

Two of the gymnasia were not completed by construction enterprises of Schwerin and Karl Marx Stadt Bezirks.

Frankfurt: 2 gymnasia

Halle: 348 kindergarten places, 100 day care places

Karl Marx Stadt: 110 kindergarten places, 244 day care places

Rostock: 4 gymnasia

The volume of building repairs and modernization of residential buildings continued to increase. The rapid repair services of the municipal housing administration agency were expanded to deal promptly with minor repair needs.

The public's increasing involvement in the "Join in!" competition served to improve housing conditions.

In Berlin, the capital, 17,958 apartments were built or modernized. The new residential district Berlin-Marzahn added 8,359 new housing units. The building output to be provided by the bezirk construction enterprises for the benefit of the capital generally exceeded the plan. A good deal of the credit for this achievement is due the young construction workers participating in the "FDJ Berlin initiative."

V. Agriculture, Forestry and the Foodstuffs Industry

In the socialist competition honoring the Tenth SED Congress cooperative farmers and the workers in agriculture, forestry and the foodstuffs industry have rendered excellent services by way of the ongoing socialist intensification. As a result of their strenuous and creative work the public was assured stable food supplies and industry steady raw material supplies--despite growing consumption.

The plan of state yield was exceeded for all products of animal husbandry.

Fulfillment of the 1980 Plan

Development by Comparison With the Previous Year

	kilotons	percentage	
Slaughter cattle	2,334	101.5	102.7
Milk	7,919	101.5	101.7
Eggs (million)	4,709	105.3	105.7

The stocks of livestock available correspond to the planned dimensions for 1980. This provides the proper prerequisites for the fulfillment of the 1981 plan.

	Stocks on
20 November 1979	20 November 1980
	1,000 head

Beef cattle	5,596	5,722
among which: cows	2,124	2,138
Pigs	12,132	12,871
among which: sows	1,248	1,258
Sheep	1,979	2,038
Laying hens	26,500	26,844

Milk yields per cow rose by 50 kg to 3,923 kg in 1980.

Despite poor weather the cooperative farmers and workers in LPG's, VEG's and cooperative facilities brought in a satisfactory harvest. The harvest result planned for crop production was exceeded by 2 percent. Achieved in 1980 therefore was the third largest grain harvest in the history of the republic. The planned targets were met or exceeded for other crops also. Weather related shortfalls were recorded in particular for potatoes, sugar beets, oil seeds and some vegetables and fruit. Damage was suffered over 30 percent of the agricultural area.

The following hectare yields were obtained:

	1976-1979 Average Deciton per Hectare	1980
Grain	35.2	38.1
Oil seeds	22.5	23.6
Potatoes	174	180
Sugar beet	266	278
Fodder crops	341	404
Corn and feed corn	288	312
Meadows and pastures	274	286

The plan of state yield for the products of crop production was fulfilled in the case of grains, potatoes and legumes; it was not completely fulfilled in the case of oil seeds, sugar beet and vegetables. The efficiency of farm production could be improved by the progressive leveling of differences between LPG's, VEG's and cooperative facilities which operate in the same nature given conditions.

Cooperative farmers and farm workers operating smallholdings in their spare time and members of the Union of Small Gardeners, Settlers and Small Livestock Breeders provided an important contribution to the public supply of fruit, vegetables, eggs, honey, pork, poultry and rabbits.

By sowing winter grain and intermediate crops at the agrotechnically most favorable times the cooperative farmers and workers in LPG's, VEG's and cooperative facilities created important bases for the planned crop and animal production of 1981. A total of 1,855,232 hectares were sown to winter grains, 477,910 hectares to intermediate winter crops and 126,106 hectares to winter oil seeds.

The working people in the foodstuffs industry fulfilled the plan of industrial goods production to 101.5 percent.

The maintenance enterprises of agriculture, forestry and the foodstuffs industry overfulfilled their plan.

The people working in forestry made available to the economy 9.6 million cubic meters of lumber, fulfilling the economic plan to 103.3 percent. In spring 1980 snow and high winds damaged a lot of timber. By the end of the year 2.6 million cubic meters had been processed of the 7.0 million cubic feet damaged. The bezirks affected received socialist aid from 1,300 forestry workers of other bezirks in our republic and 9,000 additional workers of other sectors of the economy--including many members of the socialist youth federation involved in the FDJ action "healthy forests." New plantings covered 22,400 hectares of woodland.

VI. Transportation, Posts and Telecommunications

The working people in transportation made strenuous efforts to cope with the challenging demand for transport, especially at harvest time and the period of winter stockpiling, without using more fuel for the vehicles operated. The transportation system raised its performance by 5.3 percent.

Altogether more than 1.1 million tons of freight were carried. The plan of the freight transport volume was fulfilled.

In accordance with the economic requirements for the best possible transportation and energy management, freight was increasingly shifted from the roads to the railroad and inland shipping. This shift helped energy conservation.

The railroad carried 312 million tons of freight, 9 million tons more than in 1979. The freight transport performance of the railroad rose by 4 percent.

Better cooperation with the majority of production enterprises helped achieve the more rational utilization of freight cars. Not all reserves have yet been developed in the matter of speeding up freight car turnover; that applies mainly to the observance of loading and unloading schedules as well as the improvement in the smooth flow of demand for freight cars.

To raise the capacity of railroad traffic modern transport capacities have gone into service, and another 151 km of secondary tracks were laid. The proportion of electric traction rose to 20 percent.

Public motor transport and enterprise transport services carried 725 million tons of freight. The establishment of more enterprise transportation and unloading cooperatives resulted in the better utilization of transport capacities. Fuel consumption per kilometer/ton was reduced by 9 percent as compared to 1979.

Inland shipping increased transports by 1.5 million tons. Freight transport services recorded an 11.8 percent increase.

Handled in GDR ports were 10.2 percent more freight than in 1979. The plan targets for freight transshipments were fulfilled to 106.6 percent.

After taking into service nine new ships, the merchant navy now has a capacity of 1.9 million tons deadweight. Freight transport services grew by 9.5 percent. The more efficient use and better utilization of the ships brought about a 5 percent reduction in specific energy use.

Public transport carried more than 4 billion people. Passenger transports were improved by more wide-bodied buses from the Hungarian People's Republic and Tatra streetcars from the CSSR. Traffic technological and organizational measures improved the quality of commuter services. In connection with the housing construction program transport facilities were provided and new routes introduced.

Services by the postal and telecommunication agencies increased by 3.3 percent. Another 35,000 telephones were connected. The proportion of automatic self-dialed telephone calls was 94.8 percent.

Television transmitted 85 percent of programs in color. VHF radio transmissions in stereophonic sound increased from 250 hours in 1979 to 300 hours in 1980.

VII. Foreign Trade

The greater economic strength of the GDR and notable achievements by the working people in production and foreign trade enterprises made for a 10 percent rise in foreign trade turnover by comparison to 1979.

A solid base of the GDR's steady economic development is foreign trade with the USSR and the other CEMA member countries. The USSR is the GDR's major trade partner. The planned tasks involved in exports to the USSR and the other CEMA member countries were fulfilled or exceeded.

Within the scope of socialist economic integration more measures took effect regarding the long-range assurance of our raw materials, fuel and energy base, the availability of consumer goods for the public, the development of economic and scientific cooperation and the specialization and cooperation of production.

Some 70 percent of our foreign trade turnover involved the socialist countries.

Cooperation with the developing countries deepened in the economic and scientific-technological field on the basis of equality and reciprocal benefit. Exports to these countries rose by 36 percent. Exports to and imports from the developing countries were in balance.

Exports to the capitalist industrial countries rose by 27 percent, imports proceeded as planned. Due to the increasingly acute crisis, the decline in the value of money and speeded-up inflation, coupled with more serious competition and noticeable trade restrictions on the capitalist world market, the considerable rise in our exports represents a laudable achievement of the working people in our production and foreign trade enterprises. Particularly gratifying is the development of trade relations with France, Austria, Belgium, Finland, the FRG and West Berlin.

Some combines and enterprises failed fully to achieve the planned exports.

The export structure and export profitability improved in important sectors. This was greatly helped by the availability of new products which met world market demand as well as by proper marketing and contract preparations.

VIII. Development of the Material and Cultural Standard of Living

The material and cultural standard of living achieved was secured and gradually further improved on the basis of the stable growth of the economy. The sociopolitical program adopted by the Ninth SED Congress was realized as planned.

Housing conditions were more pleasant for half a million citizens, due to the construction and modernization of 169,223 housing units. The main beneficiaries were workers, young married couples and large families. The birthrate continued to develop favorably in 1980. A total of 245,090 children were born, 9,857 more than in the previous year.

The net cash incomes of the people grew by M3.3 billion or 2.8 percent to M121.3 billion. As a result of the social security pension increase in effect since 1 December 1979 pensions rose by an average of 10 percent. The 1980 volume of social security pensions amounted to M16.7 billion.

State services and subsidies from social funds to secure stable prices for essential goods and fares amounted to M16.9 billion, 8 percent more than in 1979. An additional amount of M7.2 billion--7 percent more than in 1979--was made available for the maintenance of stable rents. Total payments from state social funds amounted to M52.7 billion, a 7 percent rise. A family of four obtained an average M760 per month from state social funds.

Real per capita income rose by 3 percent.

Retail trade turnover rose by M4.1 billion or 4.3 percent to M99.9 billion. As regards industrial goods, turnover grew by M2.7 billion (5.8 percent), essential and nonessential foods turnover by M1.4 billion (2.9 percent).

Change in the Volume of Goods Available by
Comparison to 1979
for

Percentage

Meat, cooked meats and sausages	102
Fish and processed fish	108
Chesse (high in butterfat)	105
Fresh fruit	103
Cocoa and chocolate products	102
Babyfood	104
Liquor	105

In the case of the majority of industrial consumer goods the targets of the supply plan were met and in some instances exceeded. The planned substantial rates of growth in the supply of goods were met with respect to many items.

Rise in the Volume of Goods Available in 1980 From Domestic Production and Imports
Compared to 1979

Percentage

Color television sets	135
Radios	113
Gas stoves	154
Coal-fired bath water heaters	121
Vacuum cleaners	111
Children's hose	110
Children's track suits	123
Men's shirts	105
Terry towels	112
Men's shoes	109
Laundry detergents	114
Photographic and cinematographic film	105
Food mixers	114
Adjustable irons	122
Girls parkas	108
Kitchen furniture	111

The availability of new and further developed consumer goods improved, and so did the quality and reliability of many products.

Great efforts were made to ensure a smooth flow of consumer goods in the lower, medium and upper price ranges, corresponding to economic conditions and demand.

Replacement part output rose substantially. Nevertheless it has not yet been possible to improve supplies of replacement parts as a whole.

A further rise was recorded in the equipment of households with high-quality consumer goods.

Equipment owned per 100 households is as follows:

Television receivers	92
Refrigerators	99
Washing machines	82
Cars	37

Services and repairs for the public improved. Repair services for technical consumer goods rose by 10 percent, by 13 percent for electrical household appliances.

Cooperative and private craftsmen hold a significant share in the development of services and repairs for the public; they raised their output by 9 percent and 5 percent respectively.

In several bezirks, especially Karl Marx Stadt, success was achieved in substantially cutting down waiting times and expanding the range of services offered.

Cleaning and dyeing establishments raised their output by 2 percent. The targets for laundry services to the public were met.

Motor vehicle repair output rose by 10.3 percent.

Public education was able to boast further progress in the improvement of the quality of lessons and educational work generally. Material and personnel conditions for the general education and training of students have steadily improved. Provided in 1980 were 3,783 new classrooms, 161 gymnasias, 20,665 day care places and 6,755 residential and boarding places.

Another 17,652 kindergarten places were completed. Currently 92 percent of children in the respective age groups are looked after in kindergartens and prepared for entry to the secondary school.

The pedagogical colleges graduated 9,261 students who began work as teachers or instructors at the various educational facilities.

The polytechnical education of students was further expanded. Students were looked after by 9,150 full-time and 26,100 part-time staffs.

Extracurricular educational facilities further perfected the prerequisites for appropriate activities of children of all ages. Available at schools of general education are 91,600 study groups with 1.3 million members. More than 70 percent of students in grades 1-12 are involved on a regular basis in school sports groups or sections of the DTSB /German Gymnastics and Sports Federation/.

Three-quarters of all students took school meals, and two-thirds participated in the school milk program.

Vocational education managed more closely to relate instruction to social and enterprise practice, and practical training became more effective.

All secondary school leavers were able to obtain an apprenticeship or enter an institute of higher education. In September last a total of 231,450 school leavers began vocational training. Eighty-five percent of them had completed the 10th grade.

Early counseling managed better to coordinate the choice of profession with the social requirements.

The material conditions of vocational training improved by the provision of 159 new classrooms and 9 gymnasias at municipal and enterprise facilities as well as 5,538 beds in apprentice dormitories.

In preparation and evaluation of the Fifth College Conference colleges and technical schools launched many actions to raise the productivity of scientific work in the course of studies, apprenticeships and research. This is evidenced by the results of the FDJ study days and exhibitions at colleges and technical schools. As many as 40,000 students enrolled in the FDJ student brigades, including 20,000 in Berlin, the GDR capital. In 1980 a total of 82,200 students entered colleges or technical schools, 63,000 as full-time students; 64,200 students graduated.

Working, learning and living conditions became more pleasant by the provision of 2,000 new dormitory beds, 2,100 lecture hall, seminar and study places as well as additional canteen capacities involving 6,000 meals.

More progress was recorded with respect to the medical and social welfare of the public. Another 228 medical and 158 dental offices were provided.

Basic outpatient care has improved, especially in the sectors of general medicine, pediatrics, gynecology and dentistry. The physician/patient ratio in 1980 was 1:497. Works medical care for the working people was further perfected. Progress was recorded with respect to work safety. The incidence of accidents declined by more than 4 percent compared to 1979.

Spa treatments were awarded to 357,000 people, half of them women and 28 percent shift workers.

Infant care was further improved by the provision of another 11,993 day care places. That was 1,352 more than planned. Accordingly 610 of 1,000 children are now cared for in day care centers.

To look after senior citizens 6,304 places were made available in retirement and nursing homes, 2,429 in residential homes.

Physical culture and sports have progressed very satisfactorily. Their mass nature became steadily more marked.

The climax of the 1980 sports year was represented by the 22d Olympic Games in Moscow, organized for the first time ever in a socialist country, and the 23rd Winter Olympic Games in Lake Placid. In Moscow GDR sportsmen and women earned a total of 126 medals, including 47 gold, 37 silver and 42 bronze. In Lake Placid they were awarded a total of 23 medals, 9 gold, 7 silver and 7 bronze.

In addition GDR sportsmen and women won a total of 17 world and European titles.

The entire range of physical culture and sports is having increased opportunities for development. The GDR DTSSB's competition "sports relay tenth party congress" caused another upsurge in children's and youth sports, recreational sports involving working people, and exercise, training and competitive events. More than 3.6 million citizens earned the GDR sports medal "fit for work and the defense of the homeland."

A highly visible reflection of the young sportsmen's and women's ambitions was the Eighth GDR Young People's Spartacus Sports Festival. At kreis and bezirk level 990,000 young people participated in summer and winter sports events in connection with this festival.

The FDGB vacation service and socialist enterprises awarded a total of 4.6 million vacations in 1980, including 1.8 million trips to facilities of the FDGB vacation service and resorts operated jointly with enterprises. Another 2.8 million trips went to enterprise owned or contractually run vacation resorts, including 765,000 to enterprise facilities involving camp grounds and bungalow villages.

Another 640,000 citizens vacationed on GDR state camp grounds.

The FDGB vacation service allocated 93,000 vacations to families with 3 or more children, 7,000 more than in the previous year.

Another 2,200 beds were made available in FDGB vacation service resorts and joint FDGB/enterprise facilities. New vacationer resorts sprang up in, among others, Binz, Heubach, Cursdorf and Friedrichroda, and other facilities were made available in Zechlingerhuetten, Arendsee, Ilsenburg and Ferch.

The GDR travel bureau and the FDJ youth travel bureau "Young Tourists" handled well above half a million vacations. About 80 percent of school children were taken care of in the summer vacations.

The many and varied initiatives and activities of artists and craftsmen helped to enrich intellectual-cultural life in preparation of the Tenth SED Congress.

Cultural life received a special imprint by the 35th anniversary of the liberation from Hitler fascism. Outstanding events were the Fifth Festival of Friendship Between the Young People of the USSR and the GDR, held in Karl Marx Stadt, and the "days of friendship and culture of the USSR in the GDR." Many events were organized in all districts on that occasion, in conjunction with Soviet artists and craftsmen.

An impressive exhibition of the cultural creativity of workers, cooperative farmers, craftsmen and artists in the GDR was provided by the 18th Workers Festival and the cultural festivals of socialist agriculture in Rostock Bezirk. The 600 events involved 16,000 amateur and professional artists, recorded 1.7 million visitors and turned out to be a persuasive manifestation of the unity of art and the people in socialism.

The festival of friendship between the young people of the GDR and the Republic of Cuba, the Tenth Festival of Political Song, the workshop weeks for FDJ choirs and dance music for the young, the FDJ seminar on poetry and the literary competition staged jointly by the FDJ and the Ernst Thaelmann Pioneer Organization demonstrate the contributions of the socialist youth federation to the organization of a varied, full and interesting intellectual-cultural life.

The Fifth Festival of Sorbic Culture in Bautzen once again displayed the extent of encouragement given the cultural creativity of citizens of Sorbic nationality.

The Fourth Congress of the Federation of Theatrical Artists gave proof of the greater politico-ideological maturity and advanced social responsibility of these artists. Indicative of the high standards and international importance of theater and music in the GDR were especially the 24th Berlin Festival and the Third Dresden Music Festival. An important event was the premiere of the movie "The Fiancee," which was awarded the grand prix at the 22d International Film Festival at Karlovy Vary.

The 23rd International Leipzig Documentary and Shorts Week again demonstrated that GDR socialist culture is open to the world.

Artists displayed their achievements at many events, for example the National Documentary and Shorts Festival in Neubrandenburg and the National Film Festival.

Further deepened and strengthened was cultural cooperation with the socialist fraternal countries. Of particular importance were the Ninth Festival of Soviet Films and the days of Soviet books as well as the Second Festival of Popular Art in the Socialist Countries.

Impressive climaxes were the days of friendship and culture with the People's Republic of Poland, the People's Republic of Bulgaria and the Republic of Cuba, all staged in the GDR, as well as the Ninth Pop Music Festival of the Socialist Countries, held in Dresden.

As it does every year, the GDR sent many soloists, groups and exhibits to press festivals of fraternal parties in 11 capitalist industrial countries.

Outstanding theatrical companies and orchestras gave guest performances in the socialist fraternal countries and also in nonsocialist countries. Great successes were recorded, for example, by the tour of the Leipzig Gewandhaus Orchestra to Latin America, the Berlin German State Opera to Spain and Japan, the Berlin Comic Opera to the FRG, the Leipzig Opera to Italy and Britain, and the Comic Opera Dance Company to Australia.

The nurture of the humanist cultural heritage occupied an eminent place. That is demonstrated by such events as the Shakespeare days in Weimar, the Brecht days in Berlin, the capital, the international Bach competition in Leipzig, the Haendel Festival in Halle, the Robert Schumann days in Zwickau and the event organized on the occasion of the 175th anniversary of Friedrich Schiller's death. The full range of this nurture of our cultural heritage is evident in particular by way of the exhibitions of the work of Adolph Menzel and Karl Friedrich Schinkel as well as the exhibition dealing with the lifestyle of the city proletariat, organized on the occasion of the 150th anniversary of the state museums in Berlin. Another example was the exhibition "Art on the Move--Dresden 1918-1933."

In preparation of the 500th anniversary of Martin Luther's birth (1983), a GDR Martin Luther Committee was set up, presided over by Comrade Erich Honecker, general secretary of the SED Central Committee and chairman of the Council of State.

Offered for sale in the stores were some 6,100 book titles (the total printed amounted to 140 million copies), more than 18 million records and cassettes. They also contributed to the further satisfaction of the citizens' growing cultural needs.

The satisfactory account of 1980 confirms that last year too the policy of the main task, adopted at the Ninth SED Congress, proved its worth despite difficult external conditions. Excellent performances made it possible to secure and further raise the material and cultural standard of living of the public.

The 1980 results reflect the fact that the GDR is well equipped in all sectors of social life properly to prepare the Tenth SED Congress and cope with the challenges of the 1980's.

Backed by earlier experiences with regard to the great mass initiative for the Tenth SED Congress and motivated by the requirements of the further dynamic development of

GDR capacity it will be necessary in future to give even greater emphasis to the efficiency and quality of work in general. Based on the resolutions of the Thirteenth SED Central Committee Plenum it will be imperative to comprehensively develop and resolutely exploit new reserves of efficiency. All economic activities in 1981 must be commanded to speed up scientific-technological progress and comprehensively apply its results. That is the key issue. Prerequisites will be created thereby for raising productivity beyond the rate customary hitherto, saving working hours and jobs, further and substantially improving energy and materials management and reducing costs. This calls for the even speedier and more effective generalization of the experiences of the best, and for making them the basis of action for all.

Justifiably proud of their achievements, full of militant optimism and initiatives, the working people approach the Tenth SED Congress with the slogan "the best for the Tenth SED Congress! Everything for the welfare of the people!" Their activism is further strengthening the GDR in every respect and serves to meet their internationalist class obligation.

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BARLEY LEAF RUST REDUCES GRAIN YIELDS IN NORTHERN BEZIRKS

East Berlin BAUERN-ECHO in German 4 Dec 80 p 6

[Article by Agricultural Specialist H.-J. Knopf, Institute for Grain Research, Bernburg-Hadmersleben: "Rust Infestation of Grain Leads to Production Losses--Thoughts on the Harmful Effects and Control of Dwarf Leaf Rust of Barley"]

[Text] In recent years, dwarf leaf rust has become one of the most significant causes of damage to the barley in the GDR, and the most important rust of the Pucciniaceae family. For over 80 years, dwarf leaf rust has been known to cause leaf disease in summer and winter barley; to a greater or lesser degree, it appears every year in barley-producing areas.

This pathogen occurs not only in the GDR, but also in other Central European and non-European countries, and to an increasing degree. This results in part from the cultivation of varieties resistant to mildew and stripe rust; their leaves, being not much attacked or not attacked at all by these species, provide a better ground for the dissemination of the dwarf leaf rust (Nover, 1974). It should be noted that, since 1978, this harmful fungus is included in the compulsory pathogen control program of the GDR.

Greater Infestation in Northern Bezirks

In recent years, a greater incidence of barley crop infestation has been noted in northern and central bezirks. For instance, 58 percent of the barley included in the control program was infested in 1978; in 1979, 60 percent of the winter barley and 47 percent of the summer barley on the same areas were found to be infested.

According to individual investigations still underway, the production losses caused by *Puccinia hordei* in recent years range from 15 to 18 percent; given an average grain yield of 45 decitons per hectare for winter barley and 36 decitons per hectare for summer barley, and considering the experimental areas involved in the control program and the results obtained there, this would represent very high losses. Considering the harmful effects of *Puccinia hordei*, we must use all means available to force it to recede.

The rust infestation interferes with the metabolism of the host plants; it causes their assimilation rate to drop and it reduces their chlorophyll content, while their transpiration and respiration increase.

Depending on the stage of development of the grain when it is attacked, on the strength and duration of the attack, and on the reaction of the variety attacked, the damages are of various types and importance; they lead to a loss in grain and straw production, to a reduction in the number of grains per ear and in their weight, and to a reduction in the crop quality.

Few Alternate Hosts

The dwarf leaf rust, *Puccinia hordei* Otth., attacks only barley, predominantly *Hordeum vulgare* L. and *Hordeum spontaneum* Koch; other dwarf leaf rust species occur only on wild barleys. Over 50 biological forms, i.e. 50-60 pathological types of dwarf leaf rust, are known to exist on cultivated barley.

Stars-of-Bethlehem are alternate hosts for this harmful fungus; however, they do not play a significant part in the occurrence of this fungus in Central Europe.

As is the case with other rust fungi, the spores of this pathogen are transported over long distances by the wind. The dwarf leaf rust can also survive over the winter through urediospores or through the dormant mycelium.

The pathogen occurs on both sides of the leaf blade, especially on the upper one, in the form of urediospore colonies. These colonies are like very small dots, orange-yellow to rust brown, and their dispersion is uneven. Often, the leaf sheaths, the stalks and the ears are also attacked. The chlorotic lighter-colored margins of these colonies are characteristic of rust colonies.

As is the case with all rust fungi, the occurrence of the dwarf leaf rust is dependent on specific weather conditions. The natural germination of the spores will occur only when climatic conditions are favorable to the pathogen. Temperatures of 14-18°C and a relative atmospheric humidity of approximately 100 percent will accelerate the development of the rust fungus.

Formation of Dew Encourages Field Infestation

Conditions are especially favorable to field and, therefore, to crop infestation when, on the day of infestation, dew prevails for at least 5 hours and the temperature does not exceed 15°C.

Winter barley is attacked to some degree in November, and predominantly in early spring, after the urediospores have successfully withstood the winter; the degree of infestation keeps increasing until harvest time.

Summer barley is contaminated by the fungus mostly from mid-June to the beginning of July.

Possibilities Offered by Research on Resistance

The above data show that we must control dwarf leaf rust in every possible way. In the GDR, in recent years, the problems involved in using barley resistance to control the fungus have been the object of intensive study. Research on resistance as an intensification factor in agriculture leads to an effective control of *P. hordei* at a relatively small cost.

A single measure, however, is not enough. It is only through the application of other means or of combined means of control that the desired result will be achieved. This is why we must look for alternate solutions to the problem of dwarf leaf rust control.

As an additional intensification factor, fungicides are now used only when the infestation by *P. hordei* assumes epidemic proportions, since these plant-protective agents are available only in small quantities.

In view of the conditions just described, it is obvious that, in addition to fungicides, as control variables, the influence of the effect of other intensification factors on the dwarf leaf rust must also be studied.

To Make Effective Use of the Practitioner's Experience

Example: In control attempts which took place in the Netherlands, the dwarf leaf rust attack was strongly encouraged by increasing additions of nitrogen (40, 80, 115 kilos per hectare) to the treated and untreated varieties. The grain yield increased with the above-mentioned N-increase, both with the untreated and with the treated varieties, whereas, under similar conditions, the TGM [expansion unknown] was reduced. However, these data must not be regarded as final since more research is still in progress.

As a means of control, seed treatment is excluded; for the time being, it is of little advantage in this instance.

For the above reasons, the GDR must continue its purposeful investigation of how certain intensification factors correlate with the occurrence of dwarf leaf rust, and of the resulting effects on production.

9294
CSO:5400

ECONOMIC GOALS, METHODS, PROSPECTS DISCUSSED IN INTERVIEW

Budapest FIGYELO in Hungarian No 53, 31 Dec 81 p 3

[Interview with Laszlo Ballai, chief of Economic Policy Department of MSZMP Central Committee; date and place not given: "Goals, Methods, Prospects"]

[Text] [Question] We are ending a significant year which was the final year of the Fifth Five-Year Plan and which had a role of key importance from the viewpoint of the foundations of the Sixth Five-Year Plan. Please characterize the results and concerns of 1980.

[Answer] First of all I would like to stress that we consider the year 1980, as the last year of the Fifth Five-Year Plan, as homogenous economic policy-wise with the 1979 economic year and also with the years of the Sixth Five-Year Plan period. As it is well known, essential changes in the economic guidelines and the organization of execution came with the December 1978 resolution of the Central Committee in the interests of intensive development based on quality factors. In its wake in 1979-1980 there was development on which we could reliably construct the new medium range plan and the 1981 plan. Therefore in economic work it is necessary to consistently continue to improve and restore the economic balance and the general trend and practice helping to increase the economic efficiency implemented in 1979-1980 and confirmed by the 12th MSZMP Congress. In 1980 the economy developed in accord with the main requisites of the annual plan. As well as maintaining the standard of living achieved, the process begun in 1979 was continued: the state of balance of the national economy improved and the quantity of non-ruble imports decreased to a greater extent than planned. The state of the domestic balance also became more favorable. Building supply and demand, and harmony in the number of workers and jobs were also improved. During the year the supply of goods for the populace became more satisfactory.

A decisive role in the results achieved was played by the fact that we began comprehensive and coordinated modernization of the elements of economic guidance; the price, financial, regulating, decision-making and organizational systems. The new order gave a good account of itself in its entirety in 1980.

The coordinated work on the guidelines was even more needed because we had to achieve the general trends of the 1980 plan in the midst of foreign conditions

more difficult than expected, the recession in the capitalist countries, a new oil price explosion and unfavorable weather conditions.

In addition to improving the harmony between the productive capacity of the national economy and the domestic consumption, we mainly achieved our results in 1980 by reducing domestic consumption, or more specifically accumulation. Along with a more moderate increase than the production plan target, the state of the balance improved, and the source of the balance improvement was only to a slight degree the change in goods assortment increasing effectiveness in international competitiveness. For this reason we must try to continue the economic policy and economic management practice, properly tested and applied in 1979-1980, so as to stabilize the tendency developed in the past 2 years in consolidating the balance condition and especially to contribute to speeding up the organizational and quality changes in production.

[Question] At the beginning of 1980 the enterprise management conditions became stricter, and the management units were compelled to increase work efficiency. There was great concern on the part of the enterprises that the obligations levied on them were impossible to meet. What do the facts show?

[Answer] The management conditions really did become stricter than in previous years, but in my opinion the requirements on the whole were not unrealistic, not exaggerated and not impossible. However, the real cause for worry lies in the enterprises which are well behind the world economic average today in requirements for competition and efficiency.

Since the level of management obligations will necessarily rise higher in the future, there will also be enterprises later which will judge the requirements levied on them to be impossible to meet. There will always be enterprises which will struggle against difficulties. Naturally this will always be in an economy where they measure adaptation for the market against the international scale. Therefore the government program includes a summary of all the professional tasks where the enterprises considering the requirements difficult to fulfill are found in greater proportions.

Modernization of structure is a basic task, but attention must also be given to the fact that our available capabilities for achieving it in the short run are limited. I would like to point out one peculiarity in the structural questions. We have some enterprises which struggle with the market problem, and some which have been lagging in technology. Both problems deserve attention, although the management and regulation systems are not yet dealing with them on an equal basis. Instead, up to now, the enterprises which are technically behind are classes as "weak," and the fewer ones which have progressive and relatively modern technology, but do not have a profitable demand for a significant share of their production to guarantee economic returns from production, are classed as "barely sufficient."

Raising the general level of conditions, tightening exemptions previously given under the normative requirement, simply means that there may clearly be expectable and foreseeable results at the very beginning of development in the enterprises facing the market problem. Therefore careful analysis is necessary so that in

the areas, where we are implementing economic change, we only begin developments which in all probability will be economic and competitive. Here there is also a need for scientific forecasting and a venturesome spirit.

The economic management practice implemented in the last 2 years and the modified price and financial regulation system in force since the beginning of 1980 have actually not produced anything surprising yet. We counted on the fact that differentiation between enterprises will increase. Naturally the extent of change will be largely determined by the resolve that during the change in direction, introduced in a relatively short time, a decisive share of our enterprises will not become unable to function. Therefore those enterprises, which currently and in the coming few years will not be able to meet the average requirement level, have been and will be given state assistance in the knowledge that these burdens will be recovered from future results, that the management of the enterprises in question will gradually improve, and that they will be able to do enough to fulfill the requirements levied on them.

[Question] From the point of view of attaining the economic policy goals elaborated in the Sixth Five-Year Plan, the 1st and 2nd years are of salient importance. What are the main tasks which should emerge for these years?

[Answer] The goals of the Sixth Five-Year Plan and the 1981 plan, and the major targets are known. Two groups of questions arise in view of their significance.

One of them is associated with the state of the foreign balance of the national economy. Achieving this task requires that, instead of a cutback in domestic consumption, the main sources of balance improvement should be an increase in production efficiency, an organizational rearrangement, and a vigorous increase in the volume of supplies for competitive export. Also primarily needed are more efficient organization of export management than in the past and a rise in the level of commercial work. We must take great strides in meeting these requirements in 1981-1982.

The second group of questions is related to protecting the standard of living. In the 1st 2 years of the Sixth Five-Year Plan we must apply a significant portion of the increment in our national income to improving the balance. First of all a modest rise in real income will not be expressed in wages, but by raising the level of social benefits and supplies. Thus, in the 2 years ahead of us, during which we want to tangibly accelerate the conversion to intensive development, certain stresses can arise.

Economic management has the task of recognizing these problems in time to estimate their economic and social effects and, on this basis, to decide on the set of instruments to be used to solve the tasks facing the national economy for the benefit of society and with the least possible negative effect.

[Question] The enterprise directors often insist that, among the more and more difficult world economic conditions, the factors of uncertainty keep growing in their management and that regulation cannot be considered a stabilizing factor. What attitude is expected from the enterprises in meeting our economic policy goals under the changed conditions?

[Answer] Uncertainty can be expediently approached from several directions. One of its constituents is the extent to which we lessen obligations under the normative requirements. This will have an effect similar to increasing uncertainty, although it will be only a matter of the state gradually freeing the enterprises in the future from the pressure of "keeping up," which the international circumstances dictate, until the state assumes a large share of the problems stemming from the unfortunate turn in the world economic situation.

The real circumstance causing uncertainty is that in some places the international developmental trend is not followed. As long as an enterprise follows the international trend of development with a relatively short lag time, measured by the foreign market scale, it is functioning well and has a chance of development. At the same time, the further one is from the major developmental trend, the more uncertain his position. The enterprises must be made conscious of this type of uncertainty.

The second constituent of uncertainty is assumption of risk. We can speak of this during our socialist development, beginning with the time when supply and demand are roughly balanced, or even in some cases when a surplus has developed. However, the economy of shortages has still not completely disappeared in Hungary, and its special laws still live in part of the economy.

The economic policy has scheduled a large decrease in surviving effects as a goal in the next 2 years. Naturally this was done under the condition that the nature of the international economic ties evolve in such a way that foreign circumstances develop favorably for the disappearance of shortages, especially in contact with CEMA.

Since it is primarily necessary to eliminate the shortages by production and business regulations referring to volume, we can scarcely examine the risk in the economic decisions, and the elimination of shortages always appears in short-term results and effects. Even today in the structural decisions on both the macro and enterprise levels there is a real risk which we must assess ahead of time, and no type of regulation can exempt the decision-maker from the risk of structural decisions. From the risk viewpoint, the regulation system cannot be considered a stabilizing factor, either.

Naturally, over and above the long-range effects, risk also crops up in short-term operating decisions. In a goods producing economy, especially for foreign markets, boom and bust alternate. It is necessary for the regulation system to have an important role in the future in intervening in the enterprise sphere of this process. Regulation can mean definite stability and assurance, can alleviate effects on the foreign market or can restrain their implementation so that significant short-term market fluctuations do not upset enterprise management. For this reason we shall amend a number of elements in our regulatory system in the next few years, in the interests of stabilizing economy management. However, the "protective role" of the regulatory system has gone somewhat beyond a certain limit from fulfilling requirements, which would not be expedient.

Above all the guidance [system] expects the enterprises to accelerate their long-term adjustment to the world market requirements. In any case there is need of

this catching up, since only in this way can the resources for economic expansion and raising the standard of living be established for the medium and long-term period.

[Question] What changes will the concentration of industrial ministries result in, how will this aid in strengthening enterprise independence, initiative and logical assumption of risks?

[Answer] Under the essentially changed domestic and external conditions of economic development, coordinated, centralized guidance of the industrial enterprises, and along with it a greater strengthening of enterprise independence, of a spirit of venture and responsibility have become important tasks. The modernization of industrial management and the establishment of the unified industrial ministry serves this purpose. As a result of this the theoretical guidance of industrial policy realization can be increased in government work, and enterprise responsibility and independence based on interest can be increased in performance.

In addition to the establishment of unified industrial ministry, an organic part of the modernization of industrial guidance is enterprise organization, that is, the continuous development of the domestic guidance system of trusts and major enterprises. Plant democracy is strengthened at the same time as the increase in enterprise independence and the further development of the organizational and domestic guidance system.

The change reflects the resolve that we shall uniformly and generally improve the domestic market relations, that the superfluous and meticulous aid in enterprise contractual relations will vanish, and that this will only occur from interests of the state. An increase in responsibility goes along with greater enterprise independence, and the two together can give a meaning to the assumption of risk.

The new industrial ministry will not inherit the functions of selling products and fixing prices from the ministries of today. As we know, the government has passed an order on market supervision activity and circumscribed the limits of organization and content of its function. On the basis of this order, the National Material and Price Office is taking over the domestic pricing authority and product sales functions, largely in a modified form, and the Economic Committee will be the main coordinator for the organization of the market supervision function.

[Question] Has the requirement, that enterprises and persons working well be better rewarded, been properly expressed in current economic guidelines?

[Answer] The differentiation in income dependent on accomplishment is being accepted more and more in the case of both enterprises and persons. In accord with the interests of the national economy, adjustment to market requirements and economic, competitive structural transformation are playing a greater and greater part in the development of the production and economic position of some enterprises. All of this is also expressed in the different raises in the earnings of some enterprise collectives and individuals.

However, there are a number of objective barriers to the establishment and strengthening of this differentiation. For example, as long as we cannot see to the development of the enterprises struggling with structural worries, we are reduced to reimbursing the losses of the enterprises referred to. It is obvious that this quite significantly retards the differentiation, even if only temporarily, and forces both the decision-making and the regulatory systems to forbid rises in income to exceed a definite level for even the best.

In addition to the requirement to vigorously increase productivity and differentiation dependent on the establishment of production efficiency and competitiveness, enterprise incomes and developmental possibilities must, more clearly than in the past, implement the socialist principle of division according to work based on production in the income from the work of some individuals and collectives. On this basis wages will be differentiated in conformity with quantity, quality and successfulness. The material condition of workers presenting outstanding production can improve considerably, while the real wages attained cannot be guaranteed for those presenting production lower than the average. Among other things, the new wage tariff system will help achieve these requirements, and it must also be aided by developing the internal interest system of the management organs.

[Question] In the coming years there will be no possibility of increasing domestic consumption. Under these circumstances what are our goals and capabilities for improving living conditions?

[Answer] The possibility of a slight increase allocated for domestic consumption does not provide a way to raise the average real income more significantly. This is why the Congress has already affirmed that they consider it a goal to maintain the standard of living achieved in coming years so that, along with maintaining the average real wages and considerably raising social benefits, tangible progress will follow in the development of the infrastructure which considerably affects the living conditions of the populace. First of all, for the purpose of relieving social stresses, we want to turn our resources to the development of outstanding areas affecting the broadest social classes. In accord with this a special program has been prepared to develop housing and medical provisions and to increase the number of elementary school classrooms. Among other things, improvement in living conditions will also be served by such measures as the introduction of the 5-day work week in 1982, improvement in the level of the supply of goods and services, and better assurance of conditions to spend leisure time intellectually and culturally.

6806

CSO: 2500

DISCUSSIONS ON MANPOWER MANAGEMENT PROBLEMS VIEWED

Budapest FIGYELO in Hungarian No 1, 7 Jan 81 pp 5, 15

[Article by Dr Laszlo Gyetvai: "The Enterprises See It Differently"]

[Text] A short time ago the MmM [Ministry of Labor] Labor Research Institute organized discussions on manpower management. In addition to the guests, the leading labor specialists of large enterprises also participated in the discussions. The exchange of viewpoints involved three groups of questions: the manpower situation, efficiency in utilizing manpower and enterprise reserves, and the redistribution of manpower.

First of all we tried to understand how we could create a more realistic picture of the manpower situation than in the past. Experience has frequently shown that some enterprises, as well as some of the directive organs, judge the manpower situation and its anticipated evolution in different ways. Here we do not wish to become involved in an analysis of current conditioning factors or alleged reasons. (However, it would be useful to develop a system for evaluating the labor market situation more reliably and uniformly than in the past for the sake of better elaboration of a set of instruments for established enterprise plans and employment policy).

No Reserves?

The varied opinions demonstrated emphatically that from many aspects it is almost impossible to speak of a uniform labor market in our country. The regional distribution of the labor market must be given consideration. This is illustrated mainly by the relationship between the Budapest agglomeration and the countryside. But the difference can also become greater between some rural districts. While the majority of Budapest enterprises count on a reduction of personnel in the next 5 years ranging from approximately 8 percent to 30 percent, most of the rural enterprises plan for a 6-10 percent reduction in personnel during this period.

It is worth noting that the Budapest and the rural enterprises almost unanimously judge the present and future labor supply to be tight. In our opinion the employees are still one-sidedly in a favorable position with respect to employers. The Budapest enterprises do not see much hope for a radical change in this situation for quite some time. A considerable proportion of them are forced to apply a strategy of so-called "following the personnel shortage." Most consider an annual average drop in personnel of 2-3 percent acceptable, but it will reach 6-7 percent

annually, and will be almost impossible to replace through technological development of the diminishing personnel or by other means. Because of the tight manpower supply, the enterprises have no rotating capability (with one or two exceptions), and cannot think of it in the future. Current competition for the manpower force (mainly in Budapest) has not disappeared under the conditions of a reduction in personnel, and in some areas (or branches) has even become more intense. But this is pushing to the limit the manpower supply worries of some areas where production requirements are otherwise large or increasing, or where manpower circumstances are less favorable than usual. Because of the standard wage regulations it is almost impossible to counteract these drawbacks by wages. At the same time replacement of the lacking personnel by technological development is exceedingly expensive on the one hand and, on the other, the material instruments needed for it are missing.

Or Are There Some?

What is the situation with reserves within the enterprises? Are they increasing or decreasing, and if they are, what factors are involved? During the discussions we paid special attention to unexploited capacity among the enterprise reserves.

Almost without exception the specialists stress that most of the greater or lesser internal manpower reserves of former years has essentially been exploited. (Other studies and analyses contradict this, according to which internal manpower reserves continue to grow. Editor.)

The enterprises have made great efforts to reduce interruptions in working hours, to do away with superfluous departments, and to eliminate duplicate activities. Work organization has improved and, where it was possible, wages based on production have been introduced. The "absorption" of personnel reserves has been helped a great deal by the tendency to reduce personnel in past years. It can probably be justifiably stated that the so-called internal manpower reserves have become insignificant, especially in the enterprises struggling with a more than average reduction in personnel.

Exploitation of still existing reserves promises to be a more complex task than in the past, and will depend to a considerable degree on factors outside of the enterprises. Thus, for example, irregular production rates and so-called enterprise "microautarchy" will continue to be a great source of loss. However, these can only be eliminated by increasing production organization on a societal level. Several people emphasized that there is a duality here. First of all exploitation of existing reserves has been definitely improved, however, new reserves are constantly being formed.

While the experts unanimously qualified the trend toward internal manpower reserves as weakening, they almost without exception declared that their capacity reserves (or rather their unused capacity) will increase perceptibly at a later date. It is unfortunate that there are no precise data, but the emergence of two opposite tendencies appears to be important in itself. The major components of this factor are: spontaneity in reduction, a tight manpower situation to be experienced in the Budapest agglomeration, various sales problems, defects in the investment development policies of enterprises and so forth. The unused capacity appears in various forms, and their components are extraordinarily variable. The most frequent is the insufficiently used stock of machinery. At the same time the store of permanently unused machinery and equipment is rising, some of which is fit for modern capacity.

Naturally the problems of unused capacity are very complex. They cannot be solved directly by labor management instruments. In fact both are involved in the final analysis. It appears as if enterprise management has not yet reached the point where flexible application of a reasonable combination of production factors is pushed as a function of changes in the market situation. Efforts made to utilize the internal manpower reserves are not sufficient to exploit the large reserves concealed in management. More is essentially necessary here to develop optimal combinations of labor and instruments, and to continually apply them to market demand.

Not Only Labor

Opinions related to the redistribution of the manpower force generally agreed that in this area it is more spontaneity than planned activity which has been successful (especially in Budapest). In essence there has been no planned manpower redistribution among the enterprises on the initiative of the employers. The participants in the discussions kept repeating with great concern the "consuming effect" of agriculture and subsidiary branches, and the so-called second economy or service establishments, in the face of which the industrial enterprises are practically powerless, mainly because of differences experienced in their wage and income procurement possibilities.

In past years, as they became adjusted to their production tasks, the majority of enterprises internally redistributed their manpower force, especially those with smaller staffs, ranging in size from 10 to 200 persons. Although it is difficult or even impossible to generalize from this experience, we can make some comments. Almost every specialist stressed that the workers usually took the idea of internal enterprise redistribution unfavorably. The aversion is quite difficult to understand, but it is still a phenomenon which must be reckoned with and which has effects difficult to counter. In addition the majority of enterprises in this extreme labor situation can scarcely choose between internal redistribution and staff procurement, because there is no available source of manpower. Thus they are often forced under extreme circumstances to internal redistribution as the only possibility. Since most redistribution achieved in this way bears the mark of "compulsion," its effectiveness does not match its aspirations.

The need for time in internal enterprise redistribution depends on several factors: the number of workers destined for the redistribution, their specialties, their age and so forth. In general execution of the number of redistributions mentioned above, not excessively large, took from 2-3 months to 1 years. The reduction in personnel resulting from internal redistribution can be set between approximately 10 and 50 percent. It is worth noting that earlier internal enterprise redistributions involved only a small proportion of the enterprise staff (3-5, and occasionally 8 percent annually). It is probable that this policy of selective development is associated with slow progress. However, it is interesting that the majority of enterprises do not count on more significant acceleration of this process in their middle range plan periods.

The opinions connected with the questions outlined in the introduction reflect the enterprise viewpoint, and are different in many respects from the "macrolevel" approach to the problems. Without making a judgment about the two different kinds of viewpoints, we find it interesting to note the following:

As a result of the lack of harmony in the manpower market, it appears that the labor demand, moderated everywhere, makes its results felt only partially or after a certain lag in enterprise manpower management, and even more in improving environmental conditions.

The exploitation and utilization of effective reserves concealed in modernization of production organization are complex, and are not exclusively a labor matter. Therefore, implementation judged as successful from the labor viewpoint in itself does not guarantee a faster rate of improvement in efficiency than in the past.

6806

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PROPOSALS FOR BASIC SOLUTIONS TO ECONOMIC REFORM IN POLAND

Warsaw ZYCIE GOSPODARCZE in Polish No 46, 16 Nov 80 special section pp 1-16

[Article: "Polish Economic Society on the Reform: Proposals for Basic Solutions to Economic Reform in Poland"]

[Text] These proposals for economic reform in the Polish People's Republic are an expression of the position of a broad spectrum of Polish economists organized into the PTE [Polish Economic Society]. They are the result of considerable work and discussion conducted in recent years both in PTE and outside this organization. They utilize the results of research projects and formulated views of scientific research establishments, especially the Planning Institute, the SGPiS [Main School of Planning and Statistics], the Institute of Basic Problems of Marxism-Leninism, as well as higher schools of economics in Poznan, Lodz, Wroclaw, Krakow, Katowice, and others.

In June of this year the Main Administration of PTE established a team consisting of more than 100 specialists -- economic scientists and practical experts, to sum up the work which has been done and to endeavor to formulate common appraisals and proposals. On the basis of the submitted papers, totaling more than 1000 pages, as well as studies by other scientific research establishments, an extensive discussion and debate was held on the subject of the desired character of an economic reform and the principal directions it should take. The results of the discussion and debate were presented and evaluated at a plenary meeting of the Main Administration of PTE.

The August and September events increased the urgency of this matter and provided new inspiration. The number of persons desiring to take active part in working on the economic reform increased. There also arose the need for a certain verification of preliminary views and systems views running counter to the new socio-political trends and facts in this country's socioeconomic situation.

An extensive synthetic study entitled "Proposals of Basic Solutions for Economic Reform in the Polish People's Republic" was put to the test at the beginning of October. This study was discussed at a combined session of the Main Administration of PTE and the economic reform team which had been set up (on 20 October 1980). During and after this discussion, several dozen additional proposals were submitted, supplementing the previous texts, and also demanding changes in certain points and formulations. Many letters were also received, formulating views and demands connected with the form of the economic reform. This present study is a result of

that extensive public debate. It is not final, but it does seem to have reached a sufficiently mature state to be presented to the party-government commission on economic reform and to be presented for broad public debate.

In a study which pursues the aim of presenting principal solutions to economic reform, it is impossible to cover all individual demands and positions. The general plan must consequently be cohesive and internally non-conflictive. We are deeply convinced that this general plan presents, however, the consonant views of the majority of the economic community. It is the result of thoughtful study and labor by a great many scientists and practical experts in economic affairs, who desire to make their contribution to the public good. It is also for this reason that this present study is not of the nature of a monograph which could be credited to individual authors, but is an expression of collective authorship. I should like to take this occasion to express my deep appreciation to all those who, with great enthusiasm and total commitment, on a purely voluntary basis, contributed to the creation of these proposals for basic solutions to economic reform in this country, proposals which we are now submitting for public discussion and debate.

Prof Dr Jozef Pajestka, Chairman,
Main Administration of PTE

PARTICIPANTS IN DRAFTING THE PROPOSALS

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1. DESCRIPTION OF EXISTING SYSTEM OF FUNCTIONING OF THE ECONOMY

A. Principal Features of Existing System

The present system of economic management is acknowledged by scientists, practical experts and general public opinion as an important factor in this country's inadequate forward progression and consequently the economic and social crisis which has been gathering momentum for a number of years now. This is confirmed by an extensive area of phenomena: waste of direct and indirect labor, mediocre innovativeness, poor product quality, structural disproportions, inflationary tendencies, particularism, indifference toward the needs and opinions of the customers, illusory nature of participation in management by working people, and finally -- undermining of the moral principles of social intercourse and social justice.

These phenomena have been pointed out and documented time and again in the economic literature, and therefore there is no need to present them here. On the other hand, it is necessary to reveal the logic of the basic systems solutions and the manner in which they caused negative social and economic consequences.

The present system is characterized by unsoundness in all areas:

central planning and management does not ensure economic equilibrium and the essential harmonizing of development processes, is not sufficiently effective in strategic matters, and hinders progress in efficiency of economic management by excessive, bureaucratic control;

economic organizations lack their own economic and social-moral motivations, their own economic orientation and conditions for rational, efficient management;

there is a lack of conditions for genuine participation by the trade-union movement and worker self-government in management and control;

there is a lack of appropriate division of competence and responsibility in the process of actual decision-making, there is occurring atrophy of representative bodies, while ceremonial trappings conceal a lack of actual control over the decision-making process and correctness of development policy.

Central Planning

One of the serious weaknesses of the central planning system is its short time frame, which signifies a lack of foresight and, essentially, a lack of a planned character to measures, subordinated to long-range social purpose. In spite of repeated resolutions and declarations, the domination of short-term plans -- annual plans -- has continued. This causes a harmful underdevelopment of the main function of central planning, which is to map out economic development strategy. This affects not only the quality of direction and control of the development process. It weakens integration of society, which should develop on the basis of a common understanding and acceptance of the purposefulness of socioeconomic actions.

The dominating role of the short-term annual plan is connected with its directive-type character and the fact that it became the main instrument of central management of the entire economy. This central management is implemented by a method which can be called "directive-distribution." It consists in the following: targets are established and means of implementation (employment, wages, capital investment, supply, foreign-exchange funds, etc) are allocated for the entire economy -- and for all economic units via a system of hierarchically subordinated levels. This character of the annual plan was subjected to criticism, which became more intensified as the economy became increasingly more complex and as there occurred increased grass-roots tendencies toward more independent, efficient management, for the directive-distribution system makes enterprises practically passive. In successive undertakings to "improve" planning and management, efforts were made to limit the number of so-called directive-type indices of the annual plan, but this proved ineffective. Our present annual-plan system also has maintained the point of a limited number of directive indices, but it is not implemented. There is constantly being revived the tendency toward expansion of plan indices treated on the basis of directives, over all actual needs and methodological possibilities of their reasonable determination. Hundreds of planning indices which occur at the ministerial and territorial levels of the planning process as a rule are not and, with the growing complexity of the economy, probably cannot be (even with utilization of the finest computers) properly coordinated. Nor are they treated with the proper responsibility and discipline by those to whom the plan is directed. As a consequence there is a worsening of the quality of plans, their ability to coordinate activities, and a weakening of implementation discipline.

We must recognize that the supremacy of material planning over the financial-economic aspect of economic management processes is an important weakness of the present central planning system. This applies to industry, agriculture, and other sectors. Material-technical calculations and balancing have overshadowed basic financial plans: the balance sheet, personal income and expenditures, credit plan, state budget, balance of payments, as well as economic instruments and mechanisms. This trend in evolution of the planning system has become even more intensified in recent years, reflecting particularly adversely on the mechanism of economic equilibrium.

Central management of the economy, effected by the directive-distribution method, which involves underestimation of economic instruments and mechanisms, led to features of functioning of the economy which define it as "a planning but not a planned economy." For in point of fact it is characterized -- with highly

developed planning activities -- by a moderate planned character of actual development processes, and this planned nature should be characterized by harmony, proportionality and conformity between actions and the needs of society and long-range development goals. This non-planning character is manifested in almost chronic economic imbalance phenomena (which have recently occurred on a particularly large scale), in the phenomenon of "cycling" of capital investment processes, which leads to periodic economic stresses and wasting of outlays, in constant disturbances and failure to match supply to demand, in considerable haphazardness occurring in division of income, etc. With the methods and instruments employed, central planning was unable to resolve these problems, and even lost faith in the possibility of solving them. As a consequence the positive points of a socialist planned economy were lost in the eyes of the public as well.

We are not claiming here that it would not be possible to do a better job of planning with the central planning method under discussion. In certain other socialist countries a similar central planning system has not led to such breakdowns and disproportions as has occurred in our country. The employed system has, however, fostered the occurrence of imbalance, disharmony and lack of effect of strategic, long-range purposefulness. What is more, this is how it is appraised by professionals and by the general public, which increases the necessity of reorganizing it. Any attempt to return to the old methods does not promise any chance of social effectiveness, as was emphatically indicated by an attempt to return to centralization undertaken in the latter half of the 1970's.

One fails to observe essential progress in development of economic analyses and cost effectiveness analysis of central planning. An important feature, the possibility of performing cost effectiveness analysis from the standpoint of the interests of society as a whole, is lost to a significant degree. Distribution of fund limits among ministries is not suited to cost effectiveness analysis, and therefore particular factors and forces operate especially in this area, and the employed method is rather competitive bidding than objective argument. In many areas, such as in the division of funds within agriculture, efficiency dogmas and myths operate in industry subbranch policy in place of economic criteria. In decisions pertaining to large capital investment undertakings, cost effectiveness analysis plays rather a formalistic role, which opens the door for voluntarism. Neglect of central planning in the area of employment of cost effectiveness analysis is connected with heavy commitment on the part of the central edifice in efficient activities connected with the directive-distribution system, as well as with the negative features of the entire central institutional system connected with decision-making.

A number of weaknesses characterize the institutional aspect of central planning and the aggregate of central decision-making processes. Contributing factors include relative weakness in the structure of the central authorities -- agencies identifying with the interests of society and the economy as a whole. In recent five-year periods they have been unable effectively to withstand the pressure of particular interests. Industrial subbranch ministries, recognized as basic organizational units (i.e. plant and equipment) of the central plan, in particular constitute the source of these pressures. This is a result of their organizational and motivational status. Pressure of particular interests which has not been effectively overcome has in recent years become one of the principal sources of economic disproportions.

A major problem in the present system is the role performed by representative bodies in central planning, as well as in local planning. The present system of interaction between the Sejm and government agencies fails to create the essential mechanism of dialogue between government and the public and approval by the public of plan targets. The scope of the Sejm's decision-making powers in this area has not been reasonably and precisely defined. Sejm enactments pertaining to the five-year plan do not constitute genuine, earnestly executed obligations of the executive authority to the highest agencies of government. As a consequence of failure to resolve the problem of the role of representative bodies in the planning system, there has been lacking one of the essential prerequisites both for social correctness of plans and responsibility in their execution.

One of the elements of the weakness of representative bodies in the planning process is the fact that they do not make use of scientific research facilities and do not possess adequate information. It is also for this reason that they are frequently not in the position adequately to evaluate the programmed development policy and to present alternative solutions. There occurs a distinct inequality between partners -- representative bodies on the one hand, and the government edifice on the other -- in the area of research and information support. This inequality has become deepened in recent years.

Directives and Other Direct Instruments of Central Planning

Plan directive indices as well as fund allocations and limits constitute a basic element of the traditional planning system. The present extent of directives in central management is exceptionally large. Following a temporary restriction of this scope in the early 1970's a rapid growth in scope occurred beginning in 1975, argumented chiefly by increasing balance-sheet stresses and a worsening market situation. Presently employed directive indices cover all important areas of activity and functions of associations and industrial enterprises. A like situation exists in other sectors of the economy.

The extensive scope of directives and their short time frame (essentially annual, but frequently shorter as a consequence of so-called quarterly planning, as well as constant adjustments to targets and funds) have painful antiefficiency consequences. These are expressed in particular in the following:

a) restriction in the enterprise of economic organizations, which has caused them to lose the character of genuine enterprises;

b) shortening of the time frame in the management of economic organizations, which essentially cancels out planned development of enterprises and greatly complicates adoption of innovations;

c) makes adaptation processes more rigid, which makes it more difficult to utilize internal reserve potential, changes in technology, and optimal adaptation of production to the needs occurring within the framework of a given organization, as well as in relations between enterprises and interministerial relations;

d) weakening of central management of the economy; central planning cannot cope with "concealment of reserves," while a flood of directive indices, contrary to appearances, disorganizes and weakens central control instead of strengthening it.

The employed system of annual plan detailed directives impeded efficiency mechanisms and forces in industry, agriculture, construction and other sectors. These last few years have delivered a particular lesson in this regard. The growth in centralism and directive control which has been occurring has become one of the factors in disorganizing economic processes and diminishing efficiency. It has not proven effective in imparting to the economy the proper directions as formulated by policy (export growth, increased market production, restriction of the capital investment front, holding down growth in employment and wages), in enforcing efficiency, product quality, etc. Quite the contrary -- it has led to weakening of plan discipline and general socioeconomic discipline, as well as haphazard and disorganized economic processes. Moreover, this was not genuine centralization, adopted for determined enforcement of goals and development targets, but rather a unique bureaucratic centralization, involving arbitrariness in content and form, the sole result of which was manifested in paralyzing processes of progress. The total absence of economic effectiveness of this centralization produced one more particular result. It undermined the morale of the administrative edifice, which to a considerable degree lost faith in its ability effectively to control economic processes. At the same time there was formed among enterprise cadre personnel the conviction that the central edifice did not know how to control and manage. A particular "systems crisis" took place against this background.

Organizational Unit [i.e. Plant and Equipment] Structure of Organization of Management

An organizational structure of management was formed, adapted to the directive-distribution system, a structure based on a multiple-level, hierarchically arranged system of the management edifice. The structure of the management edifice is more adapted to the function of "aggregation and disaggregation" of plan indices than to the requirements of management efficiency and effectiveness. Particular interests also exerted influence on its formation.

The present organizational unit structure of industry, and this also applies to certain other areas, must be acknowledged as not conforming to the needs of efficiency. This structure is characterized by the following:

- existence of many subbranch ministries performing the role of separate level in the hierarchic structure of management, with the absence of an effectively operating agency performing strategic-coordination functions for industry as a whole;

- considerable organizational rigidity in the face of changing technical-economic conditions and strategic goals;

- uniformity of structural systems based on the criterion of industrial subbranch integration;

- exposure of industrial subbranch associations at the expense of the position of plants and enterprises;

- evolution in the direction of large and very large plants and enterprises, including in those areas where small or medium-size units are more efficient.

An organizational unit structure with the features specified above became the source of a number of highly adverse phenomena from the standpoint of efficiency, namely:

poor adaptability to rapidly changing conditions of management, including a tendency toward duplication of existing goods (product) structures;

inability to form export specializations;

organizational restraints to the development of efficient co-production links;

blocking of small-scale efficiency efforts at enterprises;

excessive monopolization of many or the majority of markets;

high, objectively unwarranted management costs;

difficulties in development of worker participation and worker self-government.

A characteristic trait, and at the same time a serious weakness of present plant and equipment structures is their inability for so-called self-improvement. Structures became ossified, a situation which has increasingly more markedly clashed with the changing environment and leading world practices.

A schematic and multiple-level structure of management, adapted to the requirements of the directive-distribution system, is also dominant in socialized agriculture. Organization of management of state farms is not adapted to the needs of efficiency, and there is not even a formal self-financing system in the basic production units. Hierarchic distribution of assignments and resources takes the place of economic selection based on knowledge of the concrete natural-economic conditions and market situation.

In spite of certain recent efforts aimed at improving the operating conditions of so-called small-scale production, the position and operating conditions of all areas of the cooperative sector remain a major problem. Cooperative units organized according to a hierarchic structure on the pattern of the state sector and subjected to similar or identical instruments of control, have for the most part or entirely lost the features which are characteristic of cooperative socioeconomic relations. Thus the valuable reserve potential for efficiency contained in these relations cannot be utilized. This applies particularly to labor cooperatives as well as all forms of rural cooperatives, including agricultural circles.

Participation in Management and Worker Self-Government

Centralized planning and management makes difficult and even downright impossible genuine participation by work forces in management. If they lack the powers of an enterprise, it is difficult for them to have agencies of self-government; if enterprises are not focused toward efficiency, one can scarcely expect worker self-government to resolve problems of efficient management. Centralization also, if it becomes the general policy in management, affects the style of management within enterprises, leading to restriction or neutralization of those powers which worker self-government might possess.

The above systems logic was operating in our country in an obvious manner, especially in the latter half of the 1970's. Also pushed in that period were schemes and trends of manager and technocrat solutions, which became a "confession of faith" for a certain segment of managerial personnel. We should draw attention to the fact that this country's development needs precisely in the 1970's demanded support by broad public participation in planning and management processes. This was essential in view of the fact that improvement in efficiency of management under socialism cannot rely exclusively on manager personnel. This was also essential in view of the growing aspirations of the worker class and broad segments of the public for participation in shaping the destiny of their own enterprise, region, and country. These aspirations have been externalized with particular forcefulness in recent months, but they have potentially existed for a long time now.

For years the matter of participation by work forces in management has not been satisfactory, and recently it has become even worsened. We are dealing with the following in the activities of worker-self-government bodies:

- growing domination of the administrative element in decision-making processes at all levels of economic organizations;

- the purely ceremonial nature of self-government, and particularly the Workers' Self-Government Conference;

- weakening of links between self-government agencies on the one hand and the views and aspirations of work forces on the other;

- eroding away of the worker component, especially in self-government executive bodies;

- petty-detail instruction of self-government bodies by hierarchically higher sociopolitical establishments.

These features of functioning of worker self-government were in fact leading to discrediting of the idea of self-government in the eyes of the worker class. In connection with this, while in 1956 the social need for participation by working people in management found expression in the demand for worker self-government -- worker councils -- now this need has found expression in demands for free, independent trade unions. We must bear in mind certain important implications of this new thrust. It is the nature of trade unions to care for the interests of working people, primary among which are wage and social demands, while the nature of self-government is participation in processes of management, within the framework of which wage and social demands constitute problems connected with achieved economic results.

Motivational System

With a great increase in expectations, aspirations and consumer demands, there occurred a weakening and even degeneration of motivation to work well and efficiently. This involved many factors, among which we should specify three which seem to be the main factors:

a) addressing of demands for satisfaction of needs to society as a whole, to the state, which is connected with certain fundamental principles of the socialist system, with the picture of developmental interdependence formed by the social ideology (the mass media), and showing the state as "benefactor," and connected with the corresponding method of implementation of income policy;

b) formation of income in a manner which loosens the bonds between labor and compensation, the causes of which are to be found chiefly in systems solutions pertaining both to wage policy and factors forming income other than wages;

c) weakening of social-moral motivation, chiefly on the background of centralized systems solutions, which paralyze people's influence on socioeconomic processes.

Control of flow of funds for labor remuneration in economic organizations remains under the dominant influence of the following: payroll quota limiting, based on the indices of the annual plan, adjusted both in a formal manner, with the aid of standard amounts of so-called bank adjustment (as a rule in gross terms), and on a discretionary basis in the course of plan fulfillment, as well as centrally authorized emergency pay boosts for individual subbranch groups. Such regulation of flow of remuneration funds to organizations cannot be and is not linked with efficiency. It is characterized by a bargaining character of the procedures of establishment of standard funding quotas, the amounts of these funds, and wage rates; the negative effects of this are intensified by the short time frame of the procedures and essentially by an emergency or temporary nature which does not fit within the framework of long-range wage and income policy. It is also characterized by reproduction of income disproportions, which are a result and at the same time a cause of tactics and constraints not connected with an objective appraisal of efficiency.

The conviction that wage growth depends chiefly on political factors and political pressures became stronger in the course of the 1970's. In place of an economic mechanism, there was formed a sociopolitical mechanism of creating wage growth, leading to inflationary pressure. It was strengthened by the so-called "demonstration factor," which causes a wave of demands for equally advantageous solutions to follow each adjustment which is advantageous to a certain group. This mechanism became particularly clearly evident during the recent strikes. Its formation was to a considerable degree a result of the principles of forming labor remuneration operating in the economy. Linking wage growth with increased efficiency (in the new economic-financial system), which was initiated on the basis of resolutions of the Sixth Congress, was abandoned in the mid-1970's.

The system of evaluating the performance of management personnel is disadvantageous from the standpoint of influence on efficiency. On the other hand, it possesses enormous motivational significance. Generally speaking, the traditional antiefficiency criterion of execution of annual directives within the scope of gross output and goods deliveries expressed in value and product mix terms is dominant in this system. This is a consequence of the key position of these indices in the annual plan. Domination of this criterion causes well known, negative results -- concealment of production reserve potential, tactics of plan target bargaining, especially as regards allocation of funds, ignoring efficiency, and focusing on the short term.

In general one can state that actually operating criteria of performance evaluation and selection of management personnel put great pressure on obedience, loyalty to superiors, and achievement of production targets, while underrating enterprise, and rationality in an enterprise's long-range development strategy, and efficiency in general.

Of fundamental significance for progress are the social-moral motivations of management personnel. They are connected chiefly with the scope of independence, responsibility, and approval in the eyes of the work force and the public. The directive-distribution system greatly restricts motivations of this kind and their coupling with efficiency of management.

Many weaknesses have accumulated in the individual labor remuneration systems and methods of dividing entitled funds. Within the framework of the principles of the traditional system, central policy attempts to control in detail the systems and principles of remuneration of individual industrial subbranch and occupational worker groups. Numerous and detailed rate schedules and sets of mandatory wage rates are an expression of this. With an increasingly complex economy from the technical and organizational standpoint as well as variability of conditions, this approach is revealing more and more deficiencies. Rate schedules, wage rates and wage regulations become outdated and are sidestepped on a mass scale. Fixing of output quotas and the system of payment by the job are subject to degeneration.

Wage proportions and schedules get out of effective control, are subject to deformation, and enter into conflict with public opinion on the question of social justice. Rational principles (paths) of obtaining pay increases have been undermined, which is causing a number of negative organizational and social consequences.

The crisis of worker self-government and other forms of participation by working people in managing the economy and the socialist state weakened and undermined efficiency motivation. There arose a marked disproportion between improvement in the educational and cultural level of the workers and the traditional patriotic commitment of the public on the one hand and weakness of moral motivation on the other. The implications of this phenomenon obviously go beyond the area of economic efficiency.

In socialized agriculture the motivation system is encumbered by traits similar to those stated above, and it operates even more strongly against progress in efficiency of management. A certain stability of rules of operation and a time frame extending several years into the future constitute the basis for motivation to affect progress in production and efficiency. The lack of this greatly weakens motivations for progress throughout agriculture.

Prices and Other Parameters of Cost Effectiveness Analysis

The present price system and price relations are encumbered by numerous and serious defects. As a whole they fail to meet a single one of the principal conditions demanded by efficiency. The situation has become thus not only as a result of piling up of historical encumbrances, but also as a result of systems solutions and current policy. The faultiness of present prices is expressed chiefly in the fact that:

in most areas they fail to balance supply with demand, which causes an entire chain of negative consequences;

they fail to inform the manufacturers and consumers about the important general economic conditionalities of cost effectiveness analysis; this is due to large-scale departure of prices both from the social costs of production and so-called alternative costs in actual import and export;

they are extensively employed as a means of implementing particular interests by unwarranted raising of prices, plus a number of other "techniques" which make it possible to transfer over to the public the results of one's own inefficiency;

their general level is not stabilized; with many markets not in equilibrium, the overall level of prices is rising, and this rise is becoming increasingly more rapid.

As a result of this, prices have become untrue parameters. They distort calculation and choices in production and consumption at all levels, including in planning and in central decision-making.

Supply prices on means of production are essentially encumbered by all those defects mentioned above. These prices remain generally passive in the formation of supply and demand relations. In many cases the ratios of supply prices are not linked with the ratios of prices abroad. The present level of supply prices has also lost contact with the level of societal production costs. In spite of the above-mentioned inertness of supply prices, their overall level has been rising increasingly more rapidly in recent years. This has been a consequence of the pressure of rising costs of production, which price policy was unable and in part unwilling to counter. An important factor is that it has not been possible to employ solutions alleviating the negative effects of the rise in prices on means of production.

The faultiness of retail prices also became substantial. In addition to general causes, a particular factor was operating here -- sociopolitical barriers, the consequence of excessive politicizing and price formulation, but first and foremost insufficient confidence in relations between the government and the population.

Retail prices are failing to balance supply and demand in an increasingly greater number of markets. This is leading to particularly disadvantageous forms of inflation -- a continuous excess of purchasing power and breakdown of order in the marketplace, with many negative economic and social consequences. Prices which do not reflect relations of equilibrium cannot correctly inform either the manufacturers or the consumers.

Numerous financial solutions and financial parameters of cost analysis are characterized by serious shortcomings from the standpoint of the operation of cost effectiveness analysis and influence on efficiency. This is due either to the inability of the central administration properly to control matters (for example, verification of the value of fixed assets) or to general concepts, for example, taking "surplus" funds from enterprises, while failing to consider the values of autonomous financing and its effect on efficiency.

Major weaknesses in the current functioning of the economy in the above-mentioned areas can be ascribed in part to weaknesses of the central edifice, which in its structure placed principal emphasis on technical-quantitative matters, while underrating financial-economic instrumentation; this is another factor behind the great weakness of the price edifice. The basic causes, however, lie in the fact that the entire directive-distribution system is unable to meet the demands of today's economy, especially in the area of increasing efficiency of management. The inadequacy of this system causes degeneration of its component parts.

B. Evaluation of Past Attempts to Reform Functioning of the Economy

Two ambitious attempts to depart from the traditional system were made in 1956-1957 and 1973-1975. Both ended in failure, that is, in retreat to the directive-distribution system. The direct cause of this was the fragmentary character and half-measures nature of the changes made. These are only surface phenomena, however, lying at the root of the failure of a systems policy were a number of indirect, deeper-lying causes, which remain primarily in the area of sociopolitical relations.

A complete evaluation of the systems reform at the beginning of the 1970's and the WOC [Large Economic Units] system adopted at that time is a difficult task. The new system operated within a limited area, while the period of this operation in the first unit taking the initiative ran barely three years, although certain restrictions on the system were introduced even in this period of time. The principal difficulty in evaluation, however, is because the new solutions were accompanied by a number of allocation and control decisions which were disadvantageous and not harmonized with them.

Problems in the area of allocation included failure to balance the economy, numerous and growing disparities, as well as increasing inflationary pressure, which was the result of the development policy being implemented. Three items were of importance in the control and regulation area:

a) preservation of the traditional central planning system; b) operation of a number of instruments of the WOC system not in conformity with its basic principles (prices, directives); c) creation of additional instruments which undermined the new system (payroll fund reserves, "O" standards, capital investment limits). From the very outset these factors paralyzed the efficiency-achieving capabilities of the WOC system.

Thus the weaknesses of the WOC system derived from many causes. First of all, from the above-mentioned restrictions and a relatively short period of time, but also from the system's internal weaknesses. Development financing and the principles of functioning of foreign trade did not constitute a strong component of the WOC system. Its weak points also include the following: a) the fact that many regulation procedures were subject to bargaining; b) in price formulation, linking of considerable decentralization of powers with prices based on discretionary estimates; c) an indifferent attitude toward work force participation in management, and even an intensification of the so-called manager orientation.

It was not internal weaknesses, however, which determined the de facto abandonment of the WOC system in 1976. Under more favorable conditions and with a different attitude on the part of party-government leaders, these weaknesses could have been

gradually overcome. Abandonment of the system was caused by a number of circumstances which were to some extent external to the system, in particular:

increasingly more numerous and more acute stresses as well as the mass occurrence of inefficient markets;

the mechanism of so-called hidden price increases, supported by policy;

inadequacy of the central planning system, which was becoming more aggravated under those conditions.

On this background there was a strong political disinclination toward any reform of the economy, supported by the conservative tendencies of the central edifice, which did not want to yield any of its power.

In 1977 an attempt was made to rebuild the WOG system in a so-called modified version. The modified solutions were distinguished by a marked narrowness of powers of economic organizations in comparison with the original version. A specific feature of the new version was the so-called principle of transformation, which advanced the subbranch ministry as a separate level within the structure of management. In conformity with this was the concept of the ministry as a "super-concern," which was a manifestation of a strong thrust toward centralization.

Reactivation of the WOG system was followed by a number of actions for the purpose of creating complementary solutions. These included the following: change in the proven principles of price formulation and financial instrumentation; an attempt to counteract the crisis of worker self-government; certain liberalization of the operating principles of small-scale production; employment of special incentive-strengthening solutions in regard to the group of industrial exporters; drafting of a supply price reform. All these actions, together with the modified WOG system, failed to set in motion the most important efficiency levers. This was caused by reasons close to those which weakened the original version of the WOG system. The following were and continue to be those reasons: a) increasingly more acute stresses in the economy; b) retaining of a high degree of centralization of planning and management; c) internal weaknesses of this system.

In the last several years there has occurred an increasingly more marked decline in the efficiency of management as well as an increase in overall equilibrium and in partial nonadaptations and disproportions in the economic process. This was the result both of mistakes in development policy and of a growing inefficiency of functioning of the economy. Unusually adverse feedback developed: the imbalance contributed to worsening efficiency, while the latter resulted in further deepening of the imbalance. The economy entered a state of stagnation and even regression.

The stagnation, transitioning to regression, was subsequently accompanied, however, by strong consumer aspirations and demands, as well as institutional pressures applied by the economic edifice, which was carrying out a "development mission" by means of capital investment. It was not and is not possible to reconcile the mediocre capability of the economy with the aspirations and demands. Comparison of this discrepancy led to political conflict in the summer of 1980. This conflict engendered a new situation in the area of functioning of the economy.

In the present situation the "grass roots" no longer want to work within the old system of management, while the "top" feels increasingly less effectiveness in utilizing it.

Thus while in the past the need for economic reform was felt more "rationally," that is, deduced from an analysis of recognized socioeconomic necessities, the present situation is different. It is now an immediate, political necessity. While in the past it was primarily the experts who called for reform, and particularly economists, at the present time the demand for reform has become a fundamental political demand. In some countries economic reform has been carried out on the basis of "rational" diagnosis. Hungary, in particular, is one such country. Poland had such an opportunity in the past, but was unable to utilize it. The present reform must be carried out under the pressure of political necessities. The shape and form of many reform solutions must also be adapted to this fact.

II. PROPOSALS OF BASIC SYSTEMS SOLUTIONS

In a general theoretical sense, the significance of economic reform boils down to adapting production relations and superstructure institutions to the needs of development of productive resources. Under the conditions of the Polish economy the problem is that the directive-distribution system, with the hierarchic structure of management adapted to it, with methods of centralized action, etc., arose in the first half of the 1950's and has undergone relatively minor changes since that time, without losing its basic character. There has long been a need for changes, which was politically manifested particularly forcefully during all economic and political crises -- in 1956, 1970, and 1980. Reform was proclaimed and initiated in the years following 1956 and after 1970. After a certain period of time, however, the system returned to its old path, yielding only to partial modifications. The obsolescence of the system increased and became particularly evident in the most recent crisis.

Under this country's present and future socioeconomic conditions, adaptation of the mode of functioning of the economy to development needs will consist chiefly in the following:

a) adjusting the mode of functioning of the economy to a steady and rapid increase in efficiency of management, for without this it is not possible to achieve successful development of this country and sociopolitical equilibrium;

b) promoting a forming of interpersonal relations which would provide opportunity for people's initiative and innovativeness, their participation in forming and shaping affairs at the level of the enterprise, region, and nation, as well as achieving maximum possible social justice and the need for law and order, solidarity, responsibility and other moral values.

Achievement of the above, generally formulated goals has many facets and aspects. One can, however, formulate certain principal, basic problems which must be resolved in order to attain these goals.

One basic problem a reform must solve is that of changing the structure of relations between the central authorities on the one hand and enterprises and their

work forces as well as local agencies on the other. The purpose of this is the following:

not a weakening but rather a strengthening of central planning and control in shaping socioeconomic development strategy, including balancing the economy;

a basic increase in the independence and responsibility of enterprises and voivodships, and at the same time development not of lip-service but genuine worker and local self-government as well as other forms of public participation and activeness.

The above goals and at the same time the basic directions of reform are not conflictive. If they are achieved in a responsible and skilful manner, they mutually reinforce one another and create an internally cohesive system. A broadening of the powers of enterprises, even a very radical broadening, but in conformity with the needs of the planning element, increases the strength and efficiency of central control. Limiting central decision-making to those decisions which can be effectively made and verified will make it possible to do away with sham in central control. It will make it possible to concentrate planning efforts on strategy decisions. In addition, it will ensure that these decisions are supported by information and initiative from below. On the other hand, making enterprises independent demands effective central control. Only through central control do key preconditions arise for enhancement of the position of the enterprises: improvement in equilibrium of the economy and quality of markets; reasonable stability of conditions for enterprise operations, including limitation of inflationary pressure; information, inspiration, and sometimes direct intervention by the central level, protecting against allocation errors; and finally, a mechanism for eliminating inefficient units which are operating at a loss.

Resolution of the above-discussed fundamental problem of economic reform must be achieved under this country's specific conditions, determined by the sociopolitical situation prevailing at the end of 1980 and its prospects, as well as by forecasts of the economic situation in coming months and years. We have also pointed out that these conditions determine the urgency of reform as well as certain important lines of reform. In this context, two principal items emerge to the forefront.

The first is the new correlation of forces and sociopolitical factors shaping development processes. There occurred here on the one hand a significant weakening of the government edifice in delineation and implementation of development policy; the central edifice lost faith in the effectiveness of actions undertaken by traditional methods, and in addition it had become weakened morally by the extensively developing public criticism of errors in decision-making, bureaucratization, etc. On the other hand new forces emerged, particularly in the form of a movement for renewal of trade unions and self-government, manifesting strong aspirations to influence management and the shaping of national policy. An economic reform must not only take into consideration this new correlation of sociopolitical factors but must go out to meet it. It must create the possibility of freeing and utilizing new, innovative factors of progress, as well as satisfying people's aspirations, particularly of the younger generation. This cannot be achieved without a new configuration of relations between the edifice of government on the one hand and enterprises and public organizations on the other. This new configuration must be based on established rules of procedure which protect the interests of society as a whole and which do not allow certain groups to prosper at the expense

of others. In systems and apportionment decisions (pertaining to income, subsidies, prices, etc), the power of the government edifice must be reinforced by the authority of the highest representative body -- the Sejm, and at the local level, the people's councils, which is the only way to reconcile conflicting social interests. Essential toward this end are political and institutional solutions which strengthen the social authority of representative bodies.

This means reliance on self-government and trade unions in the activities of economic organizations, as well as a genuine and strong position by representative bodies in decisions in which different societal interests are involved. Without this it would be difficult to expect a solution of the basic problem -- linking strong government authority and effective planning and central control with liberating grass-roots forces of progress and satisfying people's aspirations to influence the country's destiny.

The second problem is the exceptional urgency of finding a resolution to the conflict between the very low capability of the economy and high aspirations and demands pertaining to satisfying consumption needs. These demands have recently become even more intensified and have been accepted by the government in signed agreements; this has helped further deepen the economic imbalance extending into coming months and years. The only way to resolve this situation is the earliest possible adoption of genuine enterprise self-government together with an economic system which assumes self-financing of earnings growth. This cannot be done, however, without a thorough reform of the entire system of functioning of the economy. One should view this reform both as a historical need, long since ripened to maturity, and as the sole method providing a solution to the specific difficulties in which this country finds itself.

New social trends, strongly manifested in seeking and demanding a new role and new form of trade unions, in demanding genuine worker self-government and cooperative self-government, especially on the farm, as well as in other areas of societal activity, can be implemented in a manner promoting the good of society and the interests of the people if they are linked with an economic reform. This reform must first and foremost create, by means of organizational, economic-financial and other solutions, extensive room for innovative and productive activity by people and at the same time define the principles of achievement of consumer aspirations. Achievement of this is possible, although very difficult under the present conditions of a considerable economic imbalance. A complete reform also requires a suitable amount of time, while its political need is immediate. This is not an insoluble dilemma, although its resolution requires particular efforts.

Resolution of the above-mentioned basic problem of reform depends primarily on a profound reorganization of the central edifice -- its scale, organizational and competence structure, as well as its methods and style of operation. Of basic importance here is a determined departure from the unoriginal directive-distribution system which specified in a dominant manner the methods of operation as well as the organizational structures of the economy and state. If this cannot be accomplished in a consistent manner, the chance for successful implementation of reform will be taken away this time as well.

The present crisis in the central edifice, just as the stated necessity of reorganizing it, arouses concern and frustration in this edifice. One must take this into

account. Rebuilding of the central edifice, however, is the only way to improve the efficiency and social prestige of the governmental edifice, without which the economy cannot function well.

Rapid implementation of a reform in the governmental edifice can bring a greater feeling of its stability, creation of a spirit of renewal, increased efficiency, and enhancement of the prestige and authority of the governmental edifice. One must be concerned with obtaining these results in political and social actions.

Planning and Central Control

Central Planning

Central planning is a fundamental system principle of socialism. Its restructuring is essential in order to make it more efficient and effective. It is necessary first and foremost to ensure that central planning can perform its basic functions well, that is:

intelligently foresee future conditions on a national and world scale, as well as future societal trends and aspirations;

make rational choices in fundamental, strategic matters, and guarantee their implementation;

defend the interests of society as a whole.

In order to ensure performance of these functions, central planning and economic policy must have appropriate, effective means at their disposal. This should not, however, lead to detailed management from above and all resources at the disposal of the central authorities, for in such a case, as experience indicates, planning loses perspective and the ability to foresee, is not effective in strategic matters, makes erroneous economic decisions, while enterprises and voivodships do not operate in a socially effective manner.

The necessity of restructuring central planning applies to the entire system of plans. It is proposed that the following guideline solutions be adopted in this area:

1. Greater importance should be attached to long-range planning, and greater effort should be concentrated on such planning, extensively enlisting the services of scientific personnel. It is proposed that the 10-year national socioeconomic development program be recognized as the basic long-range planning document. Fundamental problems of long-range planning should apply to structural transformations -- of the economic and territorial structure. Following are the most important problems in this area: energy and raw materials management, development of the technical infrastructure, this country's territorial development, areas of specialization of the economy, and standards of societal affairs. The capability of long-range forecasting as well as the variability of different conditionalities, including the world situation, make it impossible for a long-range plan to be of a binding nature. The long-range plan can be considered mandatory only in the sense that it becomes a point of departure for major development decisions specified in the five-year plans. It is appropriate

to publish some programs contained in the long-range plan (for example, pertaining to energy and raw materials management, living standards, etc), in order to give a directional focus to societal activities and scientific research.

2. The five-year plan should be recognized as the fundamental plan. This means that the five-year plan should become the principal decision document. The following specification of the functions of 5-year planning is proposed:

securement of economic equilibrium and harmony of development processes (that is, conforming to proportionality);

determination of structural transformations in the economy;

establishment of targets in the area of raising the living standards of the population;

establishment of conditions for steady advance in efficiency of management.

Plan decisions specifying the degree of achievement of individual social goals, as well as amassing and allocation of certain centrally dispensed funds (this will be discussed in greater detail in one of the following subsections), should be handled by the Sejm. These decisions would at the same time be directives in relations between the Sejm and the government.

Except for Sejm decisions (directives), the 5-year plan should encompass government allocation decisions as well as centrally elaborated information-forecasting determinations. Government allocation decisions and information-forecast determinations should promote implementation of Sejm decisions and proceed from them. Sejm decisions as well as government decisions contained in the plan should constitute directives for specific economic administrative agencies participating in plan and economic policy implementation. A disciplined attitude on the part of these agencies toward plan decisions, which should be ensured by the principles of operation of the central level, constitutes an essential condition for a planned economy.

Decisions and guidelines pertaining to instruments through which government agencies and economic policy influence enterprises and other management units, including individual households, should constitute an important realizational complement of allocational decisions in the 5-year plan. The majority of these instruments should be indirect, economic-financial (standards, parameters). Directive plan indices should be viewed as emergency instruments requiring special justification. In these next few years, in connection with shortages and regulation, a relatively broader scope of directive indices (allocational plan directives) should be allowed on a temporary basis.

Five-year plan decisions and directives signify that if there occurs a change in conditions or strategy, the plan should be altered with mandatory ratification. Review of the need for plan change in the second and fourth year of its implementation should be adopted as a general guideline. Past experience justifies this requirement.

3. Reform should signify change in the function and character of the annual national economic plan. The character of precisely this plan nullified

the significance of the 5-year plan and resulted in the economy losing its multi-year perspective and strategy. It formed directive-distribution means, with all the consequences of that for enterprises.

It is proposed that the following systems points be adopted within the scope of the annual plan:

this plan, other than certain Sejm decisions, the time frame of which cannot be five years, is not directive in relation between the Sejm and the government; the state budget, however, continues to be directive;

government allocation decisions, within the scope in which they are subject to centralization, as well as government targets and guidelines pertaining to instruments of central management and economic policy, are the chief element of the annual plan; the above targets must proceed from the 5-year plan; of course they cannot violate the systems defined autonomy of enterprises and other managing organizational units [i.e. plant and equipment];

Sejm and government allocation decisions contained in the annual plan, as well as targets and guidelines pertaining to control instruments, are directives for state administrative agencies;

this plan does not extend to economic organizations subordinate to ministries either within the scope of targets or within the scope of distribution of funds.

4. The importance of financial plans should be increased within the overall central planning system. They should become an important instrument of economic equilibrium, a determinant of a number of basic, National Socioeconomic Plan proposals, as well as a point of departure in determining standard quotas for enterprises and other economic organizations, as well as pricing standards on a number of resources (foreign-currency exchange rates and interest rates). The above point applies especially to the nation's financial balance, balance of payments, balance of personal income and expenditures, credit plan, and state budget.

5. Prior to decision-making, basic plan allocation and regulation targets should be drafted in several variants and submitted to broad debate and discussion. This important praxiological and social aspect of central planning should characterize all categories of socioeconomic plans, particularly 5-year and annual plans.

6. In all types of plans there should occur a clear differentiation between the decision part and the information-forecasting part. The scope of the decision part is discussed in the following subsection. The information-forecasting part should be developed and persistently improved from a methodological and information standpoint. It should be viewed as an important precondition of the control and management process and correctness of decisions.

Scope of Central-Level Decisions

The scope of central-level decisions and their character should be adapted on the one hand to ensure effectiveness of the plan's strategic function, and on the other hand to make possible independence of economic organizations and voivodships. In

connection with this, adoption of the following, guideline solutions is proposed.

1. In the area of capital investment and technological advance, central agencies should undertake in the 5-year plan and concretize in the annual plans threefold capital investment decisions:

A) Pertaining to specific undertakings or programs of a strategic significance. These include principal undertakings of the technical infrastructure, large scale industrial projects aimed at changing the structure, and major programs for meeting important public needs. Central decisions pertaining to specific undertakings or programs should define the basic framework of the material-technological foundation of the economy, guaranteeing long-term harmony and efficiency of the development process.

B) Establishing a not-to-be-exceeded amount of central (budget) capital investment, research and development outlays. These outlays should encompass financing of nonproduction capital investment as well as the share of budget funds in financing strategic production undertakings, as discussed in point A. A mandatory 5-year central capital investment, research and development expenditures limit, broken down by year, can be changed only by decision of the Sejm. This limit and its distribution for specific purposes constitutes a directive for state administrative agencies. It does not, however, require directives dealing with economic organizations.

C) Specifying a maximum limit to growth of capital investment and research and development credit granted to enterprises by the banking system. This decision constitutes a central directive as regards the banking system. Banks should make credit allocations guided by the criterion of efficiency. In the period 1982-83, in connection with the fact that a number of conditions will not have matured, one should expect accomplishment in the 5-year plan of distribution of the credit limits among individual subbranches. This would mean conduct by the banks of efficiency competition within the framework of industrial subbranch limits. In subsequent years, after the appropriate conditions have been established, subbranch distribution of limits, subbranch competition and, perhaps, a credit limit in general would be eliminated. No tasking directives or limits pertaining to economic organizations should proceed from the above targets.

Within the scope of capital investment, research and development financed by the own funds (own accumulations) of enterprises and voivodships, no central limit and no tasking directives are applied. These expenditures are estimate-specified and balanced in the central plan. The central authorities can influence the structure and character of these capital investments and projects only by defining the principles of autonomous financing (that is, economic-financial system) as well as guidelines for bank credit policy.

In order to ensure the essential scope of central control over capital investment, research and development activities, there should be provided the obligation of consultation with central agencies on major capital investment, research and development projects of national significance. This obligation would apply to ventures independent of the sources of their financing. Extensive development of central information and promotional activity should constitute an important addition to this form.

2. In the area of economic cooperation with foreign countries and foreign trade, the central authorities must define the general directions of development of this country's international specialization and the degree of its involvement in international division of labor, the scope and degree of utilization and granting of foreign loans, and secure by means of treaty policy the best possible terms of access to foreign markets, raw materials and farm products, technology and loans.

The constitutional principle of a state foreign trade monopoly, which is a consequence of public ownership of the means of production, is not synonymous with the monopoly of specialized foreign trade enterprises. The minister of foreign trade is empowered to grant and take away authorization to develop foreign trade on the part of production, trade, transport and service, state and cooperative enterprises. The general direction of development should be a gradual overcoming of the one-sided monopoly of foreign trade enterprises.

Central direction of implementation of the foreign trade plan is based on the direct means of foreign economic-financial and treaty policy. Quantitative limitations, import and export bans, import limits, import and export licenses, as well as other payments and encumbrances in export and import can be employed toward this end.

In view of the limited effectiveness and anti-efficiency consequences of directives in foreign trade, there should be an effort made to replace them in economic policy with a set of indirect and informational instruments. A growing role should be played by long-term government agreements as well as contracts between foreign trade enterprises and enterprises producing for export.

In view of the profound dissimilarity of relations with payments areas I [socialist countries] and II [capitalist countries], and especially the dissimilarity of price structure and nonconvertibility of the transferable ruble, state control of foreign trade in both these spheres should be based on different principles. In trade and other forms of cooperation with the CEMA nations, central agencies make a number of decisions within the framework of intergovernmental agreements and contracts. These decisions of course remain directive in regard to government administrative agencies. Securement of their implementation by enterprises, however, should be based on contractual agreements and economic-financial instruments. The possibility of export licensing in this area should also be provided.

General schemes of direction by the central level of economic cooperation with payments area II are presented in two variants, in view of a divergence of views.

Variant I

Export directives are not employed. Operating in place of this is a system of long-term government agreements and goods supply contracts. Contributions by enterprises producing for export and exporting enterprises to their own foreign-exchange fund can become an important means of activating exports and rationalizing imports. There should be more extensive utilization of indirect means of influencing foreign trade, such as duties, charges and compensatory surcharges, export credits, subsidies and bonuses, as well as currency exchange rate policy. This requires departure from the presently employed so-called "foreign-exchange zloty" and the system of differentiated "foreign exchange conversion factors," replacing it with a new basic foreign-currency rate established in relation to the convertible

currencies, at a level ensuring (initially profitability) not less than 80 percent of the value of exports to payments area II.

Variant II

At stage I of the reform, in connection with continuing stresses in the balance of payments, an imbalance in a number of domestic markets, as well as sociopolitical obstacles, consideration is being given to the necessity of temporary application of central import limits and export directives. They should be essentially aggregated (financial) and have a multiyear time frame (basically 5-year). They should not be divided among the branch ministries. They should be assigned to enterprises and other economic organizations. An appropriate means of adjusting limits and directives should be provided, taking into account surcharges and financial encumbrances neutralizing the effects of such changes in the economic management of enterprises. It is proposed that this system of instruments be supplemented by goods and services import prohibitions as well as free non-directive (non-limit) trade at an elevated commercial currency exchange rate. This rate should meet the conditions of marginal equilibrium and create a platform for convertibility of the circulated zloty in the import transactions of enterprises.

Variant II should provide for totally abolishing import limits (other than particularly justified goods and services import prohibitions) and export directives. This would mean convertibility of circulated zlotys in import transactions at a centrally established uniform equilibrium exchange rate.

Variant II, in order to ensure the essential scope of central control, provides for the obligation of acceptance by the Ministry of Foreign Trade of the major import and export contracts as well as those pertaining to industrial co-production, scientific and technical cooperation, and forming of companies with foreign enterprises. This should supplement central encouragement and information assistance.

3. In the area of raw materials and goods exchange, it is advisable not to provide any disaggregate (nomenclature) central allocation decisions and consequent directives to enterprises. Central control of this area should be based on:

control of revenues flows and monetary demand;

control of development projects and foreign trade, as mentioned in preceding points;

economic - financial instruments, that is, prices, taxes and turnover subsidies;

general (legal) provisions defining the principles of trade.

In these next few years there should be temporarily permitted a broader range of central intervention in connection with persisting shortages. One should expect regulation of short-supply raw and other materials of fundamental importance and multi-subbranch use. The central balances of these materials in the 5-year plan would be decision-determined. It is necessary to continue materials allotments

(limits). Allotments should be assigned to associations, enterprises and other equivalent units, but not industrial-branch ministries. The anti-efficiency consequences of these instruments should be limited by extending the time frame (5-year directives), rationalizing standards, as well as appropriate motivational solutions. Within the period of their application there should be provided supplementary commercial trade at equilibrium prices.

As regards the remaining commodity groups, where free trade would be socially intolerable in case of a supply shortage, one should rely on solutions of an obligatory monopsony type (purchase monopoly). The central supply (trade) organization possessing monopsony authority should receive central guidelines pertaining to purchase and sales policy. Depending on the concrete situation, these guidelines would assume the form of supply priorities or directive allocations. A policy of supporting so-called standard goods should also be implemented by means of these guidelines. This solution does not require employment of tasking directives for enterprises and production associations.

4. A relatively broad scope of central decisions and range of means of influencing public organizations is essential in the area of product quality. These means should encompass the following:

general quality standards (governmental, subbranch) established by government standardization agencies and binding on enterprises;

approval of new products for manufacture and sale, in the form of government certification; consumer and user safety should be the principal criterion for application of this instrument;

indirect instruments of the economic-financial system.

5. Plan targets pertaining to employment and wages should not be achieved by means of application of limits to enterprises and other economic organizations. Limits can be applied only to government administrative units and other budget-financed units. Employment and wage policy applied to the economic organizations sector is shaped by central agencies by means of corresponding systems regulations and financial-economic instruments.

6. Management of indirect (economic-financial) instruments of controlling the activities and development of economic organizations is a very important area of central government agency decisions. These instruments include wage (income) standards and rates, prices and other resource valuation standards (currency exchange rates, interest rates), as well as the principles, standard amounts and rates of financial surcharges and liabilities (taxes, subsidies, etc).

Control of prices by government agencies should be accomplished with the aid of the following: establishment (ratification) of prices, establishment of mandatory principles of pricing and the magnitude of certain price components (for example, profit indices), and with the aid of non-directive methods, that is, influencing supply and demand. At the first stage of the reform market shortages and still unresolved monopoly situations will require the domination of directive methods of state price control. In subsequent years there should be provided successive broadening of the scope of non-directive control.

7. The jurisdiction of government authorities should include determination of organizational structures (plant and equipment) of the economy. Decisions in this area are of great significance for efficiency of management, functioning of markets, correct formation of co-production relations, and development of competition among economic organizations for better meeting societal needs. These matters have been underrated and even ignored in the past system. The central authorities should specify the general principles of organizational development of the economy. Central and local government agencies should be empowered to make or ratify decisions pertaining to establishment, consolidation and liquidation of state enterprises and to specify the principles of circulation of fixed assets between enterprises. Association of enterprises and monitoring of the principles of such association should remain under government supervision.

Reorganization of the Central Edifice

The scale and organizational structure of the central economic edifice depend on its functions and methods of operation. The directive-distribution system was leading to great expansion of this edifice. Its great numerical size itself was becoming a factor in excessive central intervention, especially as regards day-to-day management of enterprises and administration of volvodships, development of a planning and reporting bureaucracy, plus other forms of encumbrance of the management edifice of enterprises; the time and effort devoted by enterprise management personnel to service "upstairs" seriously limited their opportunities to work on efficient management and formation of interpersonal relations within the enterprises. A reform requires not only restructuralization but also a substantial cutback in the size of this edifice. It is difficult, without examining specific reorganizational undertakings, to estimate the scale of warranted reduction of this edifice. One can make an initial estimate, however, that a reform should result in a reduction in the central economic edifice of between one half and one third. A change of this scale would become a factor positively influencing implementation of the other elements of the reform.

The following undertakings should be considered within the area of limiting the size of the central edifice and changes in its structure and functions:

1. The Planning Commission under the Council of Ministers should not directly make economic management decisions. In particular, all day-to-day management functions should be eliminated from its activities. The Planning Commission should be the government's economic headquarters in the precise meaning of the term. It should be responsible for drafting economic plans and government decisions in the area of allocation matters which remain under central control. The tasks of the Planning Commission should include final preparation for the government of decisions pertaining to the operating principles of the economy. It should also prepare decisions in the area of economic-financial, organizational and other means essential for implementing development policy.

In connection with change in functions, a decrease by approximately one fourth to one third in the total number of persons employed in the Planning Commission and subordinate units is proposed. This will become possible chiefly due to elimination of "distribution" of annual plan targets, directive allocation and various other day-to-day management activities. On the other hand, units involved in long-range planning and this country's territorial development, proportionality and efficiency

analyses should be strengthened. There should be considerable expansion of elements engaged in analysis of effectiveness of central capital investment as well as undertakings in the area of international division of labor. Connected with the above is the need for expanding activities in the Planning Commission pertaining to directions of scientific and technological progress.

2. Central edifice elements engaged in shaping economic instruments should be strengthened -- particularly the Ministry of Finance and the State Price Commission, and the Ministry of Labor, Wages and Social Affairs should assume responsibility for the entirety of income policy (matters pertaining to distribution of aggregate income, not only wages) and social activities, as well as determination of relations in the labor market. Also essential is a quantitative growth of the State Price Commission and improvement in the qualifications level of the personnel of this agency. Without this one cannot expect correct price analyses, regulation of price formulation and price control.

3. Solutions adopted in these next few years should include consideration of adoption by the Office of Materials Management of the function of assigning controlled materials to economic organizations. Thus the temporarily necessary directive allocation will be separated from the tradition of the directive-distribution system. The Office should ensure appropriate development of materials trade enterprises and exercise supervision over these enterprises. It should also assume responsibility for major economy programs (energy, coal, steel, wood, etc), since in this regard it possesses the capability of organizational support of these programs.

4. The Ministry of Foreign Trade, as the central agency implementing the state's foreign economic policy, cannot simultaneously involve itself with a specific sector of the nation's economy, that is, the maritime economy. Therefore matters pertaining to the maritime economy should be detached from the Ministry of Foreign Trade.

The Ministry of Foreign Trade will work in cooperation with the Planning Commission in drawing up foreign trade plans, will conclude intergovernmental economic agreements and, with the aid of direct and indirect economic foreign policy means, will supervise implementation of the foreign trade plan.

The Ministry of Foreign Trade shall monitor the efficiency and effectiveness of export and import transactions and, when warranted, will initiate legal action against enterprises which understate prices in export and overstate them in import, which violate quality standards, which violate the regulations of foreign countries, and which act contrary to the terms specified in intergovernmental agreements.

5. In these next few years, as long as there remain shortages of available goods in the consumer market, the Ministry of Domestic Trade and Services should exercise effective central control of this market. This ministry should establish a list of commodity groups covered by mandatory centralized purchase (monopsony). Supply priority guidelines, instructions pertaining to standard articles, and in cases where it is particularly warranted, territorial allocation lists should be sent to central trade organizations. Such schedules of allocations, however, should not become a permanent routine. They should be abandoned as soon as the market gains traits of equilibrium within a given group of product items.

6. The industrial subbranch ministry machinery should be reduced by decreasing their number and changing their functions. One or two ministries should operate within the scope of an industry. They should be freed of the function of plan direct organizational unit (i.e. plant and equipment) and "breaking down" targets and limits. An industry ministry should concentrate on industry policy in the area of structural changes, export specialization, and management of scientific and technological progress. An important task of the industrial ministry should be to regulate the structure of industry management (types of enterprises, associations of enterprises, etc), as well as evaluation of industrial organizations and their management personnel. One should expect the above change to diminish the operation of ministerial interests and make the ministry an agency operating in the interest of harmonious, long-range and efficient development, subordinated to the goals of society as a whole.

7. The scientific research support facilities of the ministries should be reviewed. To a considerable degree this support edifice has become merely an extension of the administrative edifice, obscuring the status of its staff size.

8. Throughout the entire central edifice there should be a substantial reduction in the number of "deputies," boosting the position and prestige of chiefs and directors.

Conditions for Correctness of Central Decisions

The following is essential in order to guarantee the greatest possible reasonableness of central decisions, counteraction to voluntarism and domination of particularist interests, as well as elimination of other negative phenomena:

- a) deepening of democratization of decision-making and monitoring processes;
- b) clear-cut formulation of responsibility for decisions;
- c) formulation, where possible, of clear-cut criteria for decision-making.

The following institutional solutions are proposed for implementation of the above.

1. Clearer definition of division of authority in the area of economic decisions between party and government agencies is needed. Possible here is acceptance of the position that party authorities determine strategic goals and main priorities of socioeconomic development as well as the principal directions of socio-institutional changes (directions of socioeconomic reform). These determinations require adoption by the Sejm and expression in Sejm enactments. On the other hand, central decisions promoting implementation of party and Sejm determinations should be made by the government, and the government bears responsibility for their correctness. These consist of allocation decisions, systems decisions, which concretize directions specified by the party and Sejm, as well as regulatory decisions, that is, employment of undertakings and instruments aimed at controlling and influencing enterprises and other managing organizational units (i.e. plant and equipment). Communicating the content of such decisions to party agencies, as well as debate over these decisions on party platforms do not free the government from responsibility for them.

2. A basic condition for correctness of central decisions is strengthening of the decision-making powers of the Sejm in economic matters and effective monitoring by the Sejm of the government, which implements these decisions. The Sejm should undertake those economic decisions the character of which demands and makes possible their localization in this representative body. Burdening the Sejm with formal ratification of a mass of indices and details of a technical and implementational nature creates the appearance of decision-making powers. Economic decisions made by the Sejm should include first and foremost decisions pertaining to the degree of achievement of individual social goals, decisions in the area of distribution of resources among different societal objectives, decisions altering the distribution of income among different societal groups, as well as subsidy decisions. One should acknowledge that a public representative body has better conditions for making decisions pertaining to weighing different societal interests than the bureaucratic edifice. Giving the Sejm decision-making powers in subsidization matters should strengthen public pressure on their restriction and elimination.

The greater part of the Sejm's decision-making powers is exercised through legislative enactments pertaining to the 5-year plan, the annual state budget, plus certain other elements of annual plans. The government should bear political responsibility to the Sejm for implementation of the Sejm's economic decisions. For this purpose an evaluation is made in the forum of the Sejm, on how the government as a whole and how individual ministries are implementing the Sejm's decisions and guidelines. The annual endorsements given by the Sejm should in no measure free the government of responsibility for implementation of Sejm decisions in the 5-year plan.

In case of ascertainment of the impossibility or inadvisability of executing certain decisions, the government should submit to the Sejm a proposal to alter them. The public should be extensively informed on all phases of work by the Sejm on economic decisions or their alteration.

Exercise by the Sejm of decision-making and monitoring functions in the economy requires a considerably more aggressive attitude on the part of individual deputies and Sejm committees. This is dependent, however, on the policy of top party authorities in this area. A decisive shift to functioning of the Supreme Chamber of Control as a Sejm agency is an important condition for strengthening the role of the Sejm.

3. It is necessary to adopt the practice of "interrogating" members of government or other official representatives of the administrative edifice by the Sejm and its committees as well as by bodies formed within the party. The purpose of this practice is to obtain required information by democratic monitoring agencies, to increase the feeling of responsibility on the part of government officials, and to create the right conditions for evaluation of administrative personnel.

4. Central decisions pertaining to broadly defined conditions of labor and wages should be submitted for consultation and coordination with trade unions prior to their submission for ratification by the Sejm. This applies both to allocation decisions as well as to systems and regulatory decisions. This principle also applies to decisions in the area of labor and wages which remain within government jurisdiction (which do not require Sejm enactment).

5. Consideration should be given to establishment of a Council of the National Economy, formed of scientists and experienced economic officials. The Council should, among other things, submit to the Sejm or party agencies evaluations of draft decisions prepared by the government which are within the jurisdiction of representative bodies. It should also be employed to present evaluations in case of disagreement between trade unions and the government.

6. Information support is essential to enable proper operation of the above institutional solutions. It is necessary to adopt the principle that Sejm delegates, members of the Central Committee, members of the Council of the National Economy, and representatives of the trade unions can obtain all information requisite for performing decision-making, consultative and verificational functions. Democratic bodies cannot operate correctly if the information at the disposal of government officials is not available to them.

7. It is necessary clearly to define the principles and methods of cost effectiveness analysis for capital projects financed from the budget or ratified (approved) by central agencies. It is also necessary to adopt the firm principle that each such capital project should be subjected to subsequent economic evaluation. This is essential in order to increase the responsibility of decision drafting and adopting personnel for the decisions they make.

8. There should be no restrictions on the mass media in examining the advisability and effectiveness of central capital investment decisions.

(II) SOCIALIST ENTERPRISES

Socialist enterprises are the basic organizational units (i.e. plant and equipment), which organize production and service processes, which make day-to-day and development decisions, and which organize interpersonal relations and participation by work forces in management and monitoring of activities. They bear responsibility to their work forces and society as a whole for economic management. The principal direction of the economic reform must focus on fundamental strengthening of the position and authority of the enterprises. This consists in the following:

Fundamental broadening of the decision-making powers and responsibility of enterprises;

enhancement of the role of financial performance (profit, net output, net income), as well as the principle of autonomous financing of operations and development activities;

development of the social aspects of management, particularly participation by working people in the process.

Solutions pertaining to central planning and management may not run counter to the demands of enterprise independence and self-government. On the contrary, they should create favorable conditions and motivations for enterprises. The independence and self-government of enterprises, within the framework defined by law and with specified rules of operation, are in the interest of society as a whole. Otherwise it will be impossible to free people's initiative and inventiveness — the main source of economic effectiveness. Nor will it be possible to satisfy the material aspirations of today's society, and particularly the future society.

Organization of Management

The fundamental role of enterprises in the system of management does not predetermine what enterprises and their groupings should be. No stereotyped solutions should be adopted in this area -- neither raising each factory to the rank of enterprise, nor universal grouping of plants in a single industrial subbranch into large enterprises of the association type, with centralized principles of operation. Depending on a technical-organizational description of functioning conditions, raw materials base, etc, there may be justification for the existence of very large enterprises grouping many plants on a national scale (or domestic enterprises), enterprises on the scale of the present associations, enterprises of medium size, and very small enterprises. In some situations it may be advisable to maintain the compulsory grouping of enterprises into associations of more or less well-developed functions. In other situations, however, no forced groupings of enterprises can be justified.

Efficiency of organizational solutions, that is, determination of the structure of enterprises and their groupings, should constitute one of the basic functions of the industrial ministry and other economic ministries. In this policy ministries should be guided by extensive worldwide experience and the results of diagnostic analyses, as well as organizational solutions promoting satisfaction of societal needs, coordination of production, technological progress, effectiveness of export expansion, etc. The principles and limit of government control in the area of organization of management (plant and equipment structures) should be defined in a new law on enterprises and economic organizations. The new law should be enacted and ratified in 1981.

The following orientational lines for organization of structure of management can be formulated:

1. It is necessary to rely on a diversity of organizational solutions as applied to the specific conditions of each area. Grouping of plants into enterprises and enterprises into associations may occur on the basis of the criterion of horizontal (industrial subbranch), vertical (co-production) concentration, or even differently, whereby horizontal concentration should not dominate.
2. In a number of areas closely linked with scientific and technological progress (science-intensive), the scale of enterprises should be fairly large, in order to permit growth and development of research and adoption of scientific and technical innovations. In these areas solutions based on multiple-plant enterprises or associations possessing the features of enterprises and grouping internal enterprises will dominate.
3. In areas operating directly for the needs of the population, there should be no move toward forced grouping of enterprises into associations of the nature of monopolies. Most frequently in this area one should give preference to large enterprises employing thousands of workers. It is better to rely on medium and small enterprises competing with each other for market position. These enterprises may associate voluntarily under state supervision. Associations would be established to perform precisely specified functions. Only exceptional considerations can justify here the forced grouping of enterprises into associations. In this area, however, associations should not restrict the authorities and responsibility of individual enterprises.

4. In such branches of production as the power industry or coal mining, it may be expedient to group all plants into large organizations of the concern type (multiple-plant enterprises). This is warranted when such an organization makes it possible to meet needs on a nationwide scale most economically. One should assume that such monopolistic solutions will be an exception.

5. In certain areas, in the research and development sphere, for example, operation of so-called utility organizations may be warranted. They differ from enterprises in that financial performance is not the most important measure of performance evaluation and criterion of selection. Certain differences in principles of funding and price-financial instrumentation proceed from this.

6. There is no justification for maintaining the principle of "subbranch purity" of enterprises. There should exist no regulations which prohibit enterprises of one subbranch from turning out products belonging to another subbranch, if this does not come into conflict with societal efficiency but proceeds from microeconomic interest.

7. Enterprises and associations should be empowered to establish, consolidate and liquidate internal units. Financial and institutional conditions should be created for the establishment of small and even very small production, service, scientific-technical enterprises, etc. Conditions should also be provided for the establishment of voluntary associations of enterprises established for various purposes -- joint research and development activities, joint capital investment, joint trade activities, etc.

All those processes which are components of organizational development do not exclude state supervision and intervention within reasonable limits. In the case of establishment of unjustified and socially undesirable monopolies, state agencies should be empowered to change plant and equipment structures on their own initiative.

8. There exists justification for municipal enterprises, based on municipal ownership, to operate alongside state enterprises. These enterprises can operate within the area traditionally pertaining to municipal services, as well as in the area of small-scale production and services. These enterprises should be established and supervised by voivodship authorities, while their profits should feed local budgets. Financing their growth and development can be based on local budgets as well as bank loans. Consideration should be given to totally exempting municipal enterprises from government taxes. Development of the municipal sector should begin with transferring over to appropriate local units (cities, gminas, voivodships) existing enterprises which qualify for assignment to the municipal services system.

9. Each organizational solution should guarantee participation of work forces in management through worker self-government and trade union activities. One thing which arises from this is the principle that in large, complex enterprises and associations, there should be opposition to excessive internal decision-making centralization and nullification of the role of individual elements of the enterprise (association) and activeness on the part of their work forces.

Economic-Financial System

The basic principles of the economic-financial system of enterprises were specified in the introduction to Section III. They include the following:

a) independence in economic, operations and development decision-making, pertaining to organization, labor and wages, the specific form of work force participation in management, etc;

b) superior role of financial performance (as a synthetic measuring stick), giving directional orientation to economic activity;

c) autonomous financing of operations and development activities;

d) creation of motivation fostering conscientious and productive labor, enterprise and innovational dynamism with a multi-year time frame for figuring and decision-making.

As we have already stressed, independence of enterprises in making economic decisions comprises the foundation of the desired mechanism of functioning of the economy. It is an essential prerequisite for a planned economy and development of efficiency efforts throughout the economy. These advantages can occur, however, only when enterprises have genuine opportunities of economic selection, that is, accessibility of production factors. Without this, independence becomes illusory and can degenerate. This will be a particularly critical problem in these coming years, during which the economy will certainly be characterized by a number of disproportions between supply and demand as well as the absence of price equilibrium in certain or even many markets. Consequently, production independence of enterprises will have to be curbed by certain limitations. They cannot, however, become a continuation of the past practice of establishing quantitative production targets. One should also repeat that independence of enterprises in the area of development decisions does not run counter to the employment of central policy in the area of economic structures, financing of scientific research activities, as well as credit expansion.

Adoption of the superior role of financial performance (enterprise profit, net output, income) as the basis of microeconomic efficiency, without which efficient management becomes impossible today, should constitute the structural basis of an economic-financial system. Strong influence by financial performance is a condition for active influence by prices and various financial instruments, due to which enterprises can be directed through a central entity with the aid of indirect methods. The effect of financial performance is closely linked with autonomous financing of operations and development activities.

Autonomous financing means that enterprises cover with revenues generated from the sale of their produced goods or services -- in addition to paying off their obligations and indebtedness to the state -- their own material expenditures, payroll, as well as development outlays. Autonomous financing is the basis for growth in enterprise independence, for it enables enterprises -- without undermining the nation's economic equilibrium, to utilize the economic results of their labor. It also means that those enterprises which achieve the best economic effects, past or anticipated, have the best opportunities for further growth and development,

which is a condition for strengthening healthy economic organisms. The principle of autonomous financing must, however, be carried out in such a manner as to boost economic discipline and the responsibility of enterprises for their work performance. This responsibility should be clearly defined by specifying the financial-economic and organizational consequences when enterprises violate the principles of autonomous financing, that is, spend more than their own performance results allow. Particular forms of autonomous financing should be applied to specific conditions, and consequently should be treated in a flexible manner.

Creation of a motivational system is a multidimensional problem. Its conditions go far beyond the sphere of economic phenomena. Its strength and orientational direction determine not only transformation of economic effectiveness reserves into actual efficiency, but also satisfaction of the increasingly more numerous and important non-material needs and aspirations of working people. Within the complex motivational problem area, of particular significance is extension of the time frame in the cost effectiveness analysis of enterprises as well as making enterprises prepared to commit themselves to innovative undertakings, frequently with a high degree of risk and uncertainty.

Proceeding from the above guidelines, the following general solution to the economic-financial system of enterprises is proposed:

1. The mode of payroll funding at enterprises shall remain the key element of the economic-financial system. In order to meet efficiency conditions, this funding should:

- ensure a strong and clear connection between increased benefit with growth in efficiency of management; toward this end one should avoid complicated formulas and multiple-component constructs;

- take account of social and egalitarian aspects, reinforced by the foundation of the trade unions;

- not be guided by the unrealistic doctrine that under all conditions work forces can be encumbered by full wage liability for the economic performance of enterprises; the principles of balance between powers and responsibilities should be observed here;

- avoid solutions which undermine efficiency forces, that is, avoid progressive standards and encumbrances based on the bargaining process;

- take into account increase in retail prices and cost of living if such an increase must occur.

Realization of the above conditions requires different solutions at the first stage of the reform, that is, in 1982 or 1983, as well as in subsequent years.

Further in the future, perhaps at the end of the 1981-1985 5-year period, elimination of the remaining traditional directives should be targeted, that is, directive targets and limits (resource allotments), as well as reasonable stabilization of the overall level of prices and elimination of internal price disproportions, plus a more efficient system of financial instruments and generally efficiently operating markets. In such a situation, strengthening the self-government component in

management of enterprises justifies basing control of funds on the so-called distribution variant. In this variant the aggregate of funds, both labor compensation and development, is generated as a result of enterprise operational performance. An enterprise has at its disposal the entire economic surplus (enterprise income, net output), after meeting budget obligations and paying off due loans, and independently distributes the economic surplus between consumption and development. Central agencies influence this distribution with the aid of financial instruments, for example, progressive taxing of income, in relation to wage growth exceeding a generally specified indicator. The advisability of employing standard distribution of economic surplus into a portion earmarked for consumption and a portion designated for development can also be considered. Non-utilization of the discretionary-bargaining method is a condition for this solution.

The processes of limiting directives and central control, rationalization of prices and financial instruments, as well as improvement of quality of markets will not be able to be fully completed in these next few years. This requires employment of transitional solutions in control of payroll fund. Two solution variants are proposed in connection with the difference of opinions on this subject.

Variant I

Fund growth remains based on principles close to those applied in the former WOG [Large Economic Unit] system, with adoption of simplifications in figuring net output. One should separate from the overall fund, however, that portion connected with the cost of living indicator (this portion should be specified on the basis of an adopted average wage growth indicator).

Variant II

The enterprise wage fund is divided into a portion which is independent of the organization's financial performance, plan-linked to the cost of living indicator, and a portion dependent on financial performance, forming an efficiency motivation factor. An average wage indicator, not wage fund amount is used in adjusting both these portions. A small central reserve should provide solution flexibility.

1. Both variants assume maximum integration of labor remuneration, leaving the mode of utilization of remuneration funds to be determined independently by the enterprises. They also presume employment in adjustment processes of general or differentiated principles and standards, but with exclusion of bargaining procedures. Fulfillment of this important efficiency condition will certainly be difficult in Variant I. In the detailed structure of both variants, considerable attention should be devoted to increasing efficiency of employment, making it possible to achieve growth of labor remuneration on the basis of savings in employment.

2. The inevitability of at least a temporary increase in the overall level of retail prices and cost of living demands at the first stage of the reform incorporation of income compensations and a plan indexing mechanism into the system. Income compensations should be applied only in case of a substantial rise in prices (above 10-15 percent) on basic items which comprise a high percentage share of worker family expenditures (meat, dairy products, energy). Full compensation should not be given to the entire population. They should be differentiated with the aid of a social criterion, for example, an equal amount regardless of size of income,

or a degressive compensation percentage with increasing income (earnings). The remaining rise in the overall level of prices and cost of living should be covered by the indexing mechanism. Indicators of independent wage growth and other nominal income, as well as a lowest-income cost of living indicator should be specified in the annual plan, on consultation with the trade unions and ratified by the Sejm. Deviation of the actual, conscientiously figured cost of living indicator from the plan-specified figure should initiate an automatic adjustment in the independent wage growth indicator (Variant II) or other wage elements (Variant I). Such a computation should be made every six months. Suspension or quantitative modification of the automatic adjustment can occur only on the basis of a change in plan indices ratified by the Sejm. When utilizing the cost of living indicator, minimum wages as well as all wage rates should also be automatically adjusted.

3. There should occur a substantial broadening of independence of economic organizations in disposing of payroll funds. This is demanded by progressive changes in the operations of worker self-government and trade unions, as well as the proposed increase in powers of economic organizations in the area of allocation. Enterprises should be empowered independently to increase internal pay claims and to employ differentiated bonuses and rewards within the limits of the payroll fund, in order to strengthen the effect of pay incentives. These changes will become possible due to rationalization and establishment of bonus funds. Increased powers must be accompanied by a substantial increase in the responsibility of enterprise management for wage economy. There should be an elimination of emergency wage increases by the central level for individual groups and occupations within the framework of so-called central controls. Vigorous efforts should be initiated on restructuring and integrating rate schedules and pay tables, giving them the character of general guidelines, protecting wage proportionality on the scale of the national economy, but ensuring functioning of the promotion system.

A system of universal, progressive taxing of individual incomes (but not wages) should supplement control and distribution of payroll funding at enterprises.

4. Evaluation of management personnel remains an important addition to the motivational solutions discussed in the preceding points, within the economic-financial system of state enterprises. This evaluation will be performed both by self-government bodies and by the government agencies overseeing enterprises (associations).

A carefully elaborated system of state evaluation should be based on two criteria -- present and past efficiency, as well as rate of growth and development. At the first stage of the reform, in connection with maintaining a certain scope of tasking directives and limits, these criteria must be supplemented by the plan discipline criterion. An evaluation within the area of current efficiency and rate of growth should express the degree to which the management of an economic organization has made use of its opportunities in these areas. This evaluation should employ a broad range of methods available with the present level of knowledge. Adjustment of the synthetic measuring stick adopted in controlling wage funds retain its determining significance in evaluating current and past efficiency. Evaluation of rate of growth and development is a considerably more complex problem, requiring additional measuring sticks and estimates.

The system of evaluations will require establishment of teams of highly competent and independent experts in government oversight agencies (economic-type ministries).

A condition for the motivational effectiveness of this system is acknowledgement of evaluations as a basis for government personnel and labor remuneration decisions pertaining to management personnel. Connected with this is reorganization of the enterprise management personnel bonuses system. Bonuses for these personnel, as well as their basic compensation, shall be paid from an integrated enterprise payroll fund.

Financial pressure applied to units sustaining financial loss should be an important element reinforcing the motivational effect of the evaluation system. This pressure, together with its main instrument -- threat of loss by the organization of its current status -- is aimed in particular at breaking down the indifferent attitude toward cost accounting on the part of management personnel.

5. Non-material incentives should play an increasing role within the enterprise motivation system. This will be promoted by development of worker self-government and other forms of employee participation in organization and management of labor processes. The scope and force of non-material motivation should increase with progress in changing sociopolitical relations and with a rise in the level of general education and job-related knowledge.

6. Better utilization of existing fixed assets, which comprise a large potential reserve of the economy, requires shiftability of labor or a more flexible management of labor resources at individual enterprises. In the socialist system, in connection with sociopolitical restrictions, this is a particularly difficult problem. Two courses of solution are proposed here:

A) Creation of strong economic motivations which promote freeing of superfluous manpower and which induce prevention of excessive employment. These motivations require the following: elimination of employment limits; making earnings growth dependent on elimination of excessive growth of employment; restriction of subsidies to cover enterprise financial shortfalls. In case of temporary payroll fund regulation with the aid of average wage (Variant II), particular stress should be placed on motivational devices, promoting efficient management of manpower resources, in the state system of management personnel evaluation, for example. These principles must be of a permanent nature, in order to form new attitudes in this area on the part of enterprises and work forces. They also demand strong social commitment by representative bodies -- worker self-government, the Sejm, and the people's councils. It is proposed that the Sejm or the people's councils make the decisions about financial subsidies for enterprises.

B) Exemption of enterprises from the obligation of ensuring to personnel being discharged jobs meeting their acceptance. This should be replaced by financial assistance for learning new job skills and streamlining the labor exchange service.

The above solutions are of great importance for strengthening motivation to do a good job. In recent months these motivations have become further weakened, which demands that the movement toward independence and self-government be absolutely linked with strong incentive to do a good job.

7. A fundamental increase in the availability rate of means of production requires harmonized solutions in many areas. This should be promoted by the following:

a) abolishing of production directives which undermine and disrupt co-production supply relations;

b) radical restriction of directive allocation of goods and materials at the initial stage of reform (eventually it should be entirely eliminated). The list of regulated items should encompass only groups of basic materials of diversified utilization which are in acute short supply.

8. The powers and opportunities of enterprises should be substantially broadened in the area of capital investment and research and development activity. No directive-type tasks or limits in this area should be applied to enterprises already at the first stage of the reform. Enterprises should enjoy unhindered use of moneys accumulated in the development fund and technical-economic progress fund. Enterprises will be able to obtain additional funds for development from bank credit extended on the basis of efficiency competition. Further in the future, acquisition of investment loans will depend on conscientiously figured projected interest rate. Proposed solutions in the area of import and trade in supplies should promote greater flexibility of capital investment activity. Toward the same end it is necessary to reduce bureaucracy and make more flexible the principles of circulation of elements of fixed assets between enterprises.

One should anticipate that the new position of enterprises and more efficient conditions for enterprise operation will ensure conscientiousness of calculation of effectiveness of capital investment and a suitable share of capital spending for purposes of modernization.

9. It is proposed that the general principle of enterprise self-financing be applied dynamically, taking into consideration the conditions of enterprise operations and changes.

Further in the future, perhaps toward the end of the 1981-1985 5-year period, there should be elimination of any automatic covering of enterprise financial deficits by the budget. The state will not assume any obligations in this area as regards amount of wages and other enterprise expenditures. They should be determined by net output generated by the enterprise (enterprise income), and in trade -- by net income after adjustment by debits and surcharges established on a general basis. Possible saving of enterprise incomes by financial authorities with the aid of tax reductions, subsidies, and agreement to exempt from depreciation deductions, etc -- should occur on the basis of individual decisions and under individually specified terms. Representative bodies (the Sejm, people's councils) should have the final word in this procedure. Allowing of bankruptcy procedures is a consequence of the above solution. Bankruptcy would be resorted to in situations in which an organization would be unable to meet its obligations and where the creditors, primarily financial authorities and the creditor bank, would not agree to concessions.

In the first years of the reform the principles of self-financing must be different in connection with the assumed situation in the area of prices and the directive nature of central control, as well as regulation of wage and bonus funds. Within this period the main emphasis should be placed on efficiency principles of establishing individual funds. Enterprises should be able to establish funds in a suitable amount even when the total amount of these funds exceeds the enterprise's generated economic surplus. In other words, losses and profit shortfalls caused by

due contributions to the development fund would be covered by the budget. In certain situations the creditor bank would also partially contribute to such payments. Automatic subsidizing of losses and insufficient profit should be accompanied here by automatic transfer to the budget of total surplus net profit above and beyond payable and due contributions to the development fund.

Budget subsidization of financial shortfalls, allowable in the first years of the reform, should take place with strong efficiency motivation measured by financial performance. It is proposed that in addition financial authorities require of subsidized enterprises a time-specific program for recovery from a shortfall situation. An unsatisfactory program or its unsatisfactory implementation should bring about substantial penalties. These penalties would consist in downgrading management personnel evaluations or (and) official reorganization, altering the status of the unit or even placing it on liquidation status. The precise procedure of this solution should be elaborated, given legal authority, and applied consistently.

11. The redistribution functions of higher levels of management than the enterprise should be substantially restricted. It is proposed toward this end:

to abolish all forms of redistributive activity on the part of industrial-branch ministries, except that they should administer appropriate areas of research activities funds;

not to apply bargaining-determined individualized efficiency standards to enterprises of all types;

radically to limit the centralized funds of associations and their redistributive functions, especially in the case of associations grouping enterprises with unlimited functions.

other than associations of the nature of enterprises and grouping so-called internal enterprises, enterprises should remain in full measure organizational units [i.e. plant and equipment] for clearing of accounts through the budget. This is essential in order to utilize efficiency reserves contained in financial instrumentation.

Direct Instruments of Central Control in Operation of Enterprises

The scope and forms of direct instruments of control of allocation processes by government authorities remains a fundamental item in strengthening the position of enterprises -- the main thrust of the reform. Among these instruments, particular attention should be focused on directive tasks and resource limits (allocations), defined as traditional directives. Domination of these directives among instruments of central control constitutes the main feature of the directive distribution system of functioning of the economy. Unless this domination is overcome, no substantial reform of the economic mechanism is possible. Consequently this is a fundamental but perhaps most difficult task. Past persistence of relying on traditional directives in management of the economy proceeds not only from many-years habits supported by doctrine, but also from the fact that plan decisions in the area of detailed structures of production, circulation and consumption most frequently cannot be implemented with the aid of indirect instruments.

It is proposed that the following guideline points be adopted in this matter:

1. Total elimination of traditional directives is recommended. Enterprises will independently ratify their own long-range and current plans. The enterprises themselves will specify targets and resources in these plans, guided by their microeconomic criterion, market parameters, as well as generally applicable state standards. Reaching this solution, however, must be a process in view of present conditions and conditions anticipated in these next few years.

2. Temporary employment of a specifically defined number of directive tasks and resource limits (allocations) should be allowed at the first stage of the reform. They should be sequentially eliminated together with elimination of supply shortages and market improvement. It is proposed that these directives apply to:

A) Allocation of certain raw materials and basic materials of multiple-sub-branch designation. In view of their temporary regulation, their consumers would have to receive limits or allocations, while producers would receive tasks pertaining to supply deliveries. State limits and directives should not be used on producers as regards other materials temporarily in short supply, allocation of which is based on compulsory centralization of procurement (official monopsony) and guidelines for central supply organizations.

B) Allocation of certain goods for supplying the general public. Continuation of temporary shortages may require compulsory centralization of procurement, connected with state guidelines (for example, pertaining to preference for so-called standards), or even general schedules of allocations applying to domestic trade enterprises. This control does not require tasking directives for producer enterprises.

C) Foreign trade. Aggregated (financial) import limits would be imposed in trade with payments area II. One solution variant (Variant II) also provides for financial and aggregated export tasks in payments area II.

D) Product quality. Directive tasks should apply to seals of quality or other equivalent independent certifications.

3. The anti-efficiency effects of traditional directives, essential at Stage I, should be alleviated. To achieve this, the following is proposed:

an endeavor to give directives a multiyear time frame by withdrawing them from the 5-year plan; adjustment of these directives should be allowed, but only in case of actual necessity, and maintaining procedure which guards the interests of the enterprise;

securement for directives, by means of appropriate motivation, of the form of so-called "brzegowy" [shore] conditions, or implementational discipline of non-establishment of competing goals;

rationalization of the measuring sticks utilized in formulating directives;

flexibility of adaptations beyond the compass of directives.

4. Effective restriction of traditional directives requires institutional and legal guarantees. A new status for worker self-government, reorganization of the role of the industrial-branch ministries, as well as changes in organization of management of the enterprise sector would constitute institutional guarantees. A legal guarantee requires that the law on the enterprise spell out the limits of directive intervention by the state in the management of enterprises, together with an effective implementational procedure for such restriction. The law should clearly state that the enterprise is an independent economic unit and that limitation of this independence requires in each instance a legal basis which is beyond question.

5. Other indirect instruments than traditional directives should play an important and continuing role in the operation of enterprises. Earnest efforts should be made to develop these, for they contain broad possibilities for effective subordination of enterprise activities to the benefit of society as a whole. These instruments include the following:

A) Acceptance by government agencies of draft plans for major capital investment ventures, research and development projects, and pertaining to cooperation with foreign countries. It is true that this is a certain form of directive, but it does not destroy small-scale cost effectiveness and enterprise.

B) General allocation standards, free of discretionary-bargaining individualization. Working conditions, environmental protection, and product standardization are the areas of their applicability.

C) Planning information and encouragement supplemented by executive action and, when needed, by budget funds. These instruments should become an important factor in directing the activities of enterprises and enriching the parameters of their financial accounting. It is therefore suggested that central agencies furnish enterprises with information which can help them correctly make planning decisions. This information should not pertain to enterprise quantitative plan targets. Central agencies may also require that enterprises communicate to them certain targets from the enterprise plans which particularly apply to development plans. This is of a purely informational character and should be utilized with special moderation. The required information should essentially be contained on a single form.

Public Joint Management of the Enterprise

Increase in the decision-making authorities of enterprises and making the principles of their operations more efficient permit and at the same time demand growth of participation by representatives of the public in their operations. The success of a reform in this area will exert decisive influence on the attitude of the employees toward their work stations and on whether a conflict model of industrial relations becomes firmly grounded, with its characteristic economic and social disturbances, as well as a model of cooperation based on a sense of joint management and joint decision-making on the fate of one's place of employment.

1. At the forefront in this area is accomplishment of a breakthrough in the position and operating principles of worker self-government at factories, enterprises and other economic organizations. This goal cannot be achieved without restoration

of worker councils as a determining element of self-government. The following favor such a solution:

a) deep-rooted tradition;

b) the fully democratic basis of electing these councils;

c) the fact that the system of councils does not contain a centralized hierarchic structure which comes into collision with the sovereignty of the work force's agencies;

d) separateness of the function of joint decision-making on the management of enterprises, which requires specialized self-government bodies;

e) the position of the new trade unions and the aims they pursue.

Elections to the councils should be fully democratic, enabling election to the councils of persons enjoying the greatest confidence of the work forces. These elections should be held without delay, at the same time dissolving the present worker self-government conferences.

1. The decision-making authorities of self-government should encompass all the organization's decisions and initiatives which: a) are essential for the operation and growth of the place of employment; b) can be competently made by the self-government. The scope of initiative, advisory and monitoring functions of the self-government should be unlimited.

Top-level decisions pertaining to appointment to and removal from executive slots should, from the very first years of the reform, be subject to approval by the self-government. The right of initiative should be guaranteed to the self-government in matters pertaining to filling executive positions. Self-government powers in this area should be expanded in the future. Self-government personnel decisions would then require approval by the oversight government agency.

An increasingly more autonomous enterprise plan with a broad area of self-government decision-making would become a basic procedure in the operation of enterprises and their self-government, expressing the new relationships. It would cover in a comprehensive manner distribution, consumption, efficiency, and production targets. It could be called a unique "social contract." In this contract, however, management personnel would function increasingly more consistently in the role of self-government headquarters and executive office.

1. The new position of the worker councils and the updated powers of the self-government should be covered by an amended law on worker self-government or on economic organizations (enterprises). However, in connection with the fact that drafting of these complicated legal regulations cannot be accomplished immediately, while restoration of worker self-government is an exceptionally urgent matter, with great political and social overtones, the following is proposed:

Stratification without delay, even prior to stage 1 of the reform, of the 1958 law on self-government and the 1978 guidelines of the CPSU Central Committee Politburo and Central Trade Union Council pertaining to directions of development, regulation and relations in the worker self-government;

non-legislative establishment for the immediate future of a provisional worker self-government, with the worker council an agency of this worker self-government.

4. Independent trade unions have already become and unquestionably will remain an important component of social relations at enterprises and at all levels of management of economic processes. The basic task of the independent unions is to safeguard the interests of working people and to represent them before government authorities. Trade unions are becoming the main partner of economic administration and government authorities in making all types of decisions determining broadly-defined working conditions. This also applies to the scale of enterprises and the macroeconomic scale, including macroproportions of central plans.

Harmonious incorporation of this component into the entire socioeconomic system demands parallel and intensive development of other basic forms of participation by working people in management of the economy -- worker self-government, people's councils, and the Sejm.

5. There is arising an urgent need to undertake a number of actions aimed at humanization of labor. The procedures of constructing programs to humanize labor and to ensure assistance by government agencies and party officials in constructing and implementing programs should be debureaucratized. Ratification of programs and monitoring of their implementation should fall within the jurisdiction of worker bodies: worker councils and trade unions.

6. Information on the state of the economy at individual enterprises and in other components is an important element of a developed system of self-government. This information should:

Characterize in an objective manner significant changes taking place in the environment of an enterprise. These include changes in raw materials and other means of production imported by an enterprise, as well as exported goods, costs of internally consumed product components, demand on the domestic market for the goods produced by the enterprise, etc.

Present in an objective manner the processes taking place within an enterprise and in its individual components, give advance warning on the effects of occurring trends, prompt consideration of necessary actions to prevent inefficiency, etc.

Cooperative Organization

An extensive program of actions is needed which pursue the aim of rebuilding genuine cooperative mechanisms in all areas of cooperative activity. Particular emphasis should be placed on development of labor cooperatives in industry, services and other sectors, particularly in agriculture. This must be accompanied by an increase in their decision-making powers, rationalization of the economic-financial principles of their operations, as well as change in relations between cooperatives and higher-level cooperative agencies.

1. First and foremost, appropriate changes should be made in the organization of cooperatives, in the direction of:

A) Strengthening cooperatives as a basic economic unit;

B) Adjustment of the size of cooperatives to the possibilities of direct influence by cooperative members on management of operations and sociocultural activities. This will require separation among presently existing organizations of those units which, from the standpoint of size of work force and magnitude of production or range of activities, are cooperatives in name only. Collective forms of management are not appropriate for such units. These organizations include, for example, "Hortex," large dairy combines, etc.

C) Creation of conditions for establishing new cooperatives with diversified production and service activities. A fruit and vegetable cooperative, for example, should join together the fruit and vegetable growers who have a direct interest in the activities of this organization. Membership in "Spolem" consumer cooperatives should be limited to persons residing in one or several localities where stores supply the local population and, as cooperatives, can remain under the actual control of the customers.

D) Provision of the possibility of small-scale production units joining into a cooperative of legal entities. This applies in particular to voivodships where the number of enterprises -- both cooperative and state -- is relatively small. A cooperative of legal entities which groups, for example, organizational units of one or several subbranches, can operate on the basis of the law on cooperatives and be managed autonomously, with all ensuing financial results. It can at the same time remain under the oversight of the voivodship governor as regards correctness of implementation of a course of economic pursuits in harmony with voivodship policy.

E) Simplification of the bureaucratized multi-level administrative superstructure of management of cooperatives. Its present structure, in the form of central cooperative unions, should change its character and functions,

in place of detailed management of cooperatives, the central unions should become:

representatives of cooperative interests with government authorities;

organizers of self-government, public education, and social activities;

units assisting in the area of legal-organizational counsel, application of the law on cooperatives and unions of cooperatives, interpretation of government regulations, etc;

organizers of economic and scientific-technical cooperation involving cooperatives on an international scale;

service and assistance units for cooperatives in solving scientific-technical problems as well as other problems of a national nature;

units performing inspection and audit functions in regard to associated cooperatives.

F) Facilitation of cooperative links with voivodship, regional and subbranch unions on a voluntary basis. They were established to carry out joint economic, social and cultural-educational undertakings.

2. Cooperatives should be characterized by economic independence and full autonomy, including election of cooperative executive officers. According to the current practice, cooperative boards are appointed and removed by administrative decisions.

It is necessary to make changes in the present principles of member participation in generating a cooperative's resources. This should be achieved by increasing member shares, a higher interest rate on shares, and a greater portion of net surplus divided among outstanding shares.

The financial system of cooperatives should be altered in the direction of leaving with the enterprise sufficient funds for growth and sociocultural activities.

3. The activities of cooperatives should be linked to the state economy with the aid of:

financial-economic instruments employed by government agencies (prices, taxes, currency exchange rates, etc);

decisions on forming new cooperative units;

availability to cooperatives of bank loans on the generally prevailing terms;

wage policy specified in collective agreements, among other things;

allocations of raw and other materials within the scope of applied regulations (stage I of the reform).

Plans of cooperatives should be drawn up and approved by self-government authorities for the cooperative's own needs. Just as in state enterprises, however, government agencies can require of cooperatives certain information on plan targets.

4. Conditions should be created for cooperatives to be able to offer strong competition to private enterprises. Necessary toward this end is a change in many regulations and restrictions applying to cooperatives and the creation for cooperatives of conditions of flexibility and economic initiative. Voivodship authorities should also encourage and promote movement in this direction.

IV. INDIRECT INSTRUMENTS (PARAMETRIC REGULATORS) OF CENTRAL CONTROL OF ENTERPRISES

Among the instruments for controlling enterprises by the central level, the main line of reform should focus on broadening the role of indirect (parametric) instruments as well as information links making enterprise cost effectiveness analysis more efficient. One should be guided by the following principles in constructing a modernized system of indirect instruments:

A) These instruments should make it possible to achieve the plan-specified proportions of distribution of national income and state budget revenues. Proceeding from this is the demand for suitable adaptability of instruments.

B) Instruments should ensure strengthening of efficiency-promoting motivations in economic organizations. This demands: 1) making the wage and development capabilities of organizations dependent on their efficiency; 2) application of general or differentiated standards (rates), but in a manner which does not threaten the objectivity of financial performance and efficiency positions; 3) avoidance of progressive indebtedness.

C) Instruments should strengthen economic equilibrium and stabilize the overall price level. The aim is to counteract inflationary pressure or limit its dimensions.

D) Instruments should enable enterprises to obtain information making possible economic analysis and efficiency choices. These include: 1) correct standards for estimating short-supply resources; 2) no difference -- except for justified exceptions -- between prices for the manufacturer and prices for the consumer; 3) not undermining inducements for efficient substitution contained in ratios of prices and price-similar quantities and in their changes.

E) Instruments should promote smooth flow to enterprises of financial resources requisite for carrying out undertakings verified by microanalysis and in conformity with central plan priorities.

F) The construction of instruments should be as clear and simple as possible. This is important both from the standpoint of effectiveness of operation of instruments by the central level and action on the enterprises.

Prices

1. The traditional concept of basing the level of supply prices on the level of overall domestic costs is inadequate. In determining the level of supply prices there should be an effort to achieve maximum consistent and coordinated utilization of:

a) the principle of equilibrium (balancing of markets) with the active participation of price in this process;

b) reasonable approximation of domestic price ratios to price ratios in world markets (prices obtained on exports, paid on imports, or alternative import and export).

Only if both these conditions are met can the supply price level, approximating the level of overall domestic production cost, be acknowledged socially reasonable.

In the longer term future, approximately by the end of the 1981-1985 5-year period, implementation of the above principles should be carried out under conditions of convertibility of circulated rubles in import transactions, as well as a substantially improved flexibility of demand by enterprises for means of production in relation to prices. Fulfillment of these conditions can be considered a criterion of successful implementation of a systems reform and overcoming disproportions in the structure of the economy. Then the general principle of efficient determination of a supply price level becomes simple. Equilibrium of a given supply market with full consideration of the influence on this market of imports and exports at transaction prices comprises this principle.

2. At the initial stage solutions must be more complicated. The level of prices on a number of supply groups will not be able to ensure balancing of the market. It is proposed that prices on means of production produced domestically and imported from payments area I be established at a level as close as possible to a level expressing the actual degree of shortage of these products. This procedure should take account of the actual influence of exports and imports on the formation of balances. In the case of widely used raw and other materials, a temporary shortage of which will require controls, there should be initiated additional commercial sale at elevated prices ensuring equilibrium. Free trade in surpluses above and beyond directive allocations should take place at commercial prices. These prices would apply both to consumers and suppliers.

At the initial stage there should be regulation of imports from the non-ruble zone. It is recommended that price solutions connected with this be presented in alternative variants, as was initially discussed in Section II. One variant (Variant II) proposes employing two currency exchange rates: a basic rate for trade covered by directives and limits, as well as a commercial rate covering non-directive trade. Enterprises would pay transaction prices for means of production imported from payments area II. This is equivalent to a temporary occurrence of two levels of prices for the same products, depending on the form of trade.

If, however, a commercial currency exchange rate is not employed, linking the level of supply prices on the domestic market with the level obtained by a given manufacturer in exports to the non-ruble zone (Hungarian solution) should be a substitute solution (Variant I). Sales prices on raw and other materials imported at transaction prices would supplement this solution. Adoption of an export price base cannot be applied across the board and requires a complicated procedure. It possesses solid advantages, however -- initiation of economic pressure on manufacturers to attain international efficiency standards, as well as a realistic mechanism for approximating domestic prices to world prices. In this solution one must accept the position that the price level on many means of production must be specified on a different basis than export price. It is proposed that a price level as close as possible to the actual conditions of supply shortage comprise this basis.

3. The supply price reform, which is generally to go into effect at the beginning of 1981, will not ensure implementation of the principles discussed above. Nevertheless, however, it should make it possible to overcome the most obvious disproportions. When adopting a system reform, that is, in 1982 or 1983, one should draw up scenarios of the fastest possible transition from a system of supply prices in 1981 to structures corresponding to the system reform guidelines. Toward this end one should, among other things, initiate as soon as possible a continuing analysis of market prices of alternative suppliers.

4. Retail price system and policy should be based on the principle of balancing supply with demand. With the existence of deferred demand, rapid growth in wages and other nominal income, as well as with limited possibilities of increasing supply, this is equivalent to acceptance of the inevitability, at least temporarily, of a rise in the overall level of prices. Everything possible should be done to limit (influencing supply and demand) and appropriately control this growth. Price growth ensuring balance is definitely a more advantageous solution, both economically and socially, than permitting inflationary gaps and market disorganization to occur, which is indicated by the experience of recent years.

It may be necessary, however, to maintain on a relatively permanent basis a lower level of prices for certain groups of products than would be the case on the basis of actual conditions of equilibrium. In this case two alternative solutions should be employed: a) supply rationing (cards), supplemented by transactions and commercial prices at an equilibrium level; b) acknowledgement of a product as a so-called standard, which means an officially fixed price, in case of need a trade subsidy, together with the obligation of ensuring continuous, undisturbed sale. The first solution should be limited to such products as meat, for example, where special consumption significance is connected with an acute, relatively persisting shortage and considerable vulnerability of the public to price movements. The second solution should be applied with maximum moderation as a kind of "necessary evil." Both solutions should be discarded immediately after overcoming the causes evoking these solutions.

A state of balance, including price equilibrium, should be achieved as rapidly as possible for all other goods and services, with the aid of coordinated actions by supply, demand, and prices. In this way socially justified approximation of the level of retail prices to the level of overall costs should occur with observance of conditions of equilibrium. This general principle does not exclude the possibility of exceptions, in which important general societal considerations require maintaining a continuing difference between the level of prices and costs. This must be accompanied by appropriate financial solutions (turnover taxes and subsidies).

Further in the future, by the end of the 1961-63 3-year period, there can and should be a transition to a policy of reasonable stabilization of the overall level of prices, coupled with natural equilibrium.

3. Price discrepancies within groups must be corrected. It is necessary to proceed with this without delay, both as regards means of production and objects of consumption. Solutions should also be adopted which will prevent the occurrence of such discrepancies in the future. The following requirement proceeds from this in the defective regulated price sector: a) that price policy within a group be based on calculation of operating costs; b) a limitation of so-called added value increases, or putting privileged retail standards for the producer to the value of a certain segment of items in a product group. Both these solutions require appropriate secondary procedures of establishing prices on new products and updating prices (1961-63).

4. Second - special activities requiring directive limits, in pricing to secure supply of scarce and essential goods and control of this process by government agencies. In addition to strengthening the state price machinery, the following activities should promote this objective: a) precise determination of mandatory pricing principles; b) rigorous activities aimed at improving calculation of costs; c) employment of mandatory group profit limits as supplements of newly established prices; d) employment of the calculation of resultant profit indicator in order to updating of price (1961-63); e) strengthening of the state and enterprises' subsequent monitoring of establishment of prices (1961-63); f) strengthening of price regulation.

5. The second - special activities requiring directive limits, in pricing to secure supply of scarce and essential goods and control of this process by government agencies. In addition to strengthening the state price machinery, the following activities should promote this objective: a) precise determination of mandatory pricing principles; b) rigorous activities aimed at improving calculation of costs; c) employment of mandatory group profit limits as supplements of newly established prices; d) employment of the calculation of resultant profit indicator in order to updating of price (1961-63); e) strengthening of the state and enterprises' subsequent monitoring of establishment of prices (1961-63); f) strengthening of price regulation.

Efforts should be made to achieve a gradual increase in the area covered by free prices (non-directive controlled), for efficiency-fostering prices can be fully established only as a result of competition among suppliers and pressure by a free market. Or in situations in which government agencies do not intervene in pricing with directives, with pricing left to enterprise decisions and same-level negotiations. The process of increasing the scope of free prices should be programmed and implemented together with improving the quality of markets with maximum consistency.

Financial Valuation (Efficiency) Standards

In the new system financial valuation (efficiency) standards have an important task to perform in achieving balance in the economy and social rationalization of enterprise economic accounting. They cover a number of quantities, such as the following: interest rate on bank loans and property financed with enterprise funds; taxation of employment or payroll fund, with the exception of sectors in which employment growth should be forced, such as in trade (stores), services and small-scale industry; payment for use of natural resources; currency exchange rates (conversion factors). All these valuations should be included as enterprise costs. They should be programmed (projected) over a multi-year time frame for purposes of figuring growth and development at all levels.

1. In determining a mandatory and essentially uniform, basic interest rate on bank loans, one should be guided primarily by the need for equilibrium of the credit market. Increasing sensitivity of enterprises to costs and prices of production elements and acquisition of skill in handling interest will strengthen its equalizing effect. At the same time, other terms of granting and repaying loans will be able to become increasingly more stable further in the future. In the case of past-due loans for working capital, there should be maintained the possibility of applying a higher interest rate (penalty).

It is proposed that further in the future an enterprise will be able to receive a bank capital investment loan for every venture with an effectiveness of not below the basic interest rate. The bank could apply an interest rate correspondingly higher than the basic rate for capital investment involving greater uncertainty. In doubtful situations the bank could also seek a loan guarantee from budget agencies and exemption from the obligation to share enterprise losses.

In earlier years, in connection with employment of subbranch loan limits, there is no standard rate expressing overall shortage of resources. Nor is it realistic, at least in the initial period, to establish such rates ex ante in individual subbranches. For this reason a subbranch loan competition was proposed, on the basis of efficiency criterion or projected rate of profit. The amount by which this rate exceeds the basic rate, together with the latter, would constitute interest on an unrepaid loan.

2. It is proposed to continue charging interest on an enterprise's assets financed with its own funds (from the state fund). This requires efficiency of utilization of the development fund by the enterprise, as well as efficiency of management of assets components. This interest should be payable to the budget. Its amount, an essentially uniform amount, should be established in relation to the interest paid on bank loans. Establishment of this interest as a level lower than interest on bank loans has both supporters and opponents among economists.

3. Taxation of employment or payroll fund should also be maintained, as a second, in addition to interest, basic form of participation by the budget in enterprise performance. One should be guided in determining the interest rate by the macroeconomic ratios of labor and capital resources.

4. Enterprise payments for utilization of natural resources, particularly land and mineral deposits, should be made in addition to interest on property and employment or payroll fund taxation.

5. There should be a departure from the presently employed "foreign-exchange zloty," with the entire system of settlement of foreign accounts based on the circulating zloty. The system of so-called "conversion factors" should also be abolished, with new effective currency exchange rates adopted. The principles applied in determining rates of exchange should differ in dealings with payments area I and II. The proceeds from the expected continuation of a profound difference between these relations. In case of substantial changes in economic relations within CEMA, particularly in case of adoption of convertibility of the transferable ruble to convertible currencies, the points on differentiation of the principles of determining exchange rates would be subject to modification.

A special zloty exchange rate would apply in trade with payments area I, a rate established in relation to the transferable ruble. The manner of adjusting this rate should be essentially retained, that is, one should employ the ratio of the average resultant rate for export as a whole to this area to the so-called base rate (previous). The current rate would ensure profitability of not less than 90 percent of the total value of exports to CEMA nations. This seems the proper course to follow in trade regulated directly by government agreements. Exchange rates for non-trade payments and for tourist trade with CEMA member nations would be established on the basis of agreements with these countries, so that they would reflect the relative buying power of the zloty and the specific CEMA member nation currency.

6. The currency exchange rate in trade with area II should in the future be a uniform valuation (efficiency) standard, ensuring maintaining a balance of payments with plan-specified growth and development targets and changes in foreign indebtedness. This rate would be set in relation to the aggregate of convertible currencies. A basic principle of foreign convertibility of circulating zloty in foreign currencies is therefore proposed in trade with area II, as well as uniformity of exchange rate in trade and non-trade transactions with all countries of area II.

The approach to an equilibrium exchange rate as discussed above must be a process extending over several years. Neither the price-financial instrumentation required to make a policy choice nor the ability to operate such instrumentation can be available immediately. The initial obstacles and unsatisfactory export (import) remain the principal reason for delay. Therefore transitional solutions are needed at the initial stage of the reform. In connection with differences in views on such solutions, these solutions are proposed in two versions, as discussed by Section 2.

Version 1

Exchange rate would be established for the conversion of foreign currencies to zloty and vice versa. The rate would be fixed at 1 zloty = 100 rubles.

basis for establishing and changing supply prices and sale prices domestically, with these prices appropriately encumbered with customs duty and compensatory payments. This exchange rate would comprise the basis for non-trade transactions with countries in area II and would apply in tourist trade.

Variant II

Two currency exchange rates would apply in trade transactions with area II: a basic rate, and a commercial rate. The former would be based on the principles which have applied in the past, or approximated to the principles applied in trade with area I. The latter would be a parameter of balance of non-directive exports and non-limit imports. It would form a condition of free effectiveness trade at the boundaries of the economy, at the same time forming the nucleus of a future overall solution.

Principles and Standards of Distribution (Financing)

1. No directive standards pertaining to distribution and utilization of the excess earned through sales by enterprises above and beyond material costs and contributions to the state budget and local budget (net production, enterprise income) should be applied in the future, or under conditions of an advanced reform. An enterprise may independently divide this surplus between employee monetary reward and development. However, if wage growth exceeds a specific generally specified amount, progressive taxation shall be applied to the payroll fund or to the entire surplus. General (standard) rates should be applied in this taxation.

Still to be considered in regulating division of surplus according to the above principles is the need to employ an additional financial instrument -- additional payment amounts and charges -- in connection with the "historically" caused differences in profitability, and especially in connection with the effects on income of official price changes and other resource valuation standards.

2. Things must be different, however, in the initial years of the reform. Establishment of principal enterprise income funds: payroll and development, should be regulated with the aid of mandatory standards. Two so-called incremental alternative control variants have been proposed.

Variant I

Growth in the work force compensation fund is dependent, just as in the WOG system, on growth in net output or enterprise income. A multiyear standard figure specifies mandatory flexibility of the relationship between these two quantities. A major problem here is the possibility of applying a general standard or a standard differentiated according to general principles, that is, bypassing the discretionary-bargaining procedure. The possibility of employing certain additions independent of performance and compensating for a rise in the cost of living supplements the above.

Variant II

This variant applies common, or differentiated according to common principles, standards of independent and dependent average wage growth. The dependent growth standard defines the effective relationship (flexibility) between wage growth and

8. In trade with payments area II, adjustments in exchange rate and transaction prices with the aid of additional turnover tax payments and other encumbrances should be held to a minimum. This proceeds from the effectiveness advantages of an unadjusted transaction price. Adjustments may be warranted, however, in a number of instances, particularly to protect domestic markets both from so-called imported inflation and from the undesirable influence of imports and exports in a given area. The customs tariff system should constitute the principal form of these adjustments.

In the first years of the reform, if the commercial exchange rate is not employed in trade with payments area II (Variant I), a number of export incentives should be provided, including the assistance of appropriate compensatory charges and subsidies. Export incentive should also be provided by the following:

- a) contribution of a portion of earnings from export to enterprise foreign-exchange funds;
- b) granting of additional export loans and loans for additional imports (depending on receipts deposited in the Bank of Commerce). These loans could be supplemented with zloty loans for capital investments which will pay off quickly, growth in working capital and payroll fund growth;
- c) tax reductions.

9. Elaboration of reasonable and precise principles of mandatory verification of nominal financial amounts remains an important problem of financial instrumentation. There are three items in particular:

- a) elimination from financial performance or financial growth of so-called undeserved effects, caused chiefly by official changes in prices, rates and other conditions; there should be an endeavor toward gradual reduction of verifications of this type to a minimum;
- b) elimination from performance results of benefit wrong, caused by failure to observe mandatory principles and valuations in enterprise management;
- c) revaluation of a number of financial quantities, particularly fixed assets values, as well as debts connected with upward movement of prices.

V. PLANNING AND MANAGEMENT IN AGRICULTURE

The system of planning and management in agriculture must be fundamentally reorganized. This system should be in conformity with the general guidelines of the overall reform, and at the same time should take into consideration to the greatest possible degree the specific features of the production process in agriculture, as well as the specific social features of Polish agriculture, which are expressed in the fact that the bulk of agricultural output in Poland is produced by privately-owned peasant farms included within the central planning system by an organized system of market mechanisms. This means that creation of a suitable climate of permanence and stability for the growth and development of peasant farms is a condition for effective functioning of the system of planning and management in Polish agriculture. The private-farm economy must be viewed as a permanent element

of the socialist economy in Poland, and all sectors of agriculture must be ensured legal equality.

This legal equality should be expressed, among other things, in ensuring conditions for transfer of land to those farms which guarantee the most efficient management of this land. In the concrete situation of our economy, this means full support of production utilization of acreage abandoned by persons migrating to non-agricultural sectors -- within the framework of the private farm economy -- by changes in the agrarian structure which ensure a gradual growth in the size of farms. This requires, among other things, elimination of all restrictions in land turnover which do not proceed from the decree on agricultural reform and handing over to farmer self-government powers pertaining to the right to decide on manner of land use and management and on control of agricultural acreage.

Central Planning and Control

The 5-year national economy development plan, acknowledged as a basis plan, must encompass appropriate elements ensuring proper proportions between development of agriculture and development of the economy as a whole.

Accomplishment of this task must be accompanied by consideration of the specific character of agricultural production. For this reason that part of the 5-year plan dealing with development of agriculture must be of the nature of a forecast of the desired growth and development of agricultural production, not a directive target.

Central agencies will assist in achieving the desired rate of growth and structure of agricultural production by ensuring the transfer to agriculture of appropriate flows of means of production, human growth and development of the production base of enterprises which produce and process agricultural products, by utilization of price and credit instruments, and through the actions of organizations engaged in adopting technological advances into agriculture. Centralizing of certain agricultural products on a totally voluntary basis should constitute one of the elements of a control system defined in this way. This means that all tasks pertaining either to rate of growth or changes in the structure of agricultural production, as well as tasks pertaining to changes in the structure of land ownership will be assigned to individual farms and administrative agencies. So will farms be assigned tasks in the area of turnover of means of production. The plan will merely ensure the opportunity to purchase means of production.

The system of transferring of these tasks to enterprises in the non-agricultural sector is different because with the changes which will be taking place throughout this sector's entire system of management and planning, creation of a unified market of means of production for a planned urban market, of which agricultural enterprises, enterprises in other farms and freely obtain the required means of production in the 5-year plan, the goal of the planned national development in agricultural sector will be achieved gradually, within the 5-year plan, through means of production.

During the 5-year plan, the system of transferring of these tasks to enterprises in the non-agricultural sector is different because with the changes which will be taking place throughout this sector's entire system of management and planning, creation of a unified market of means of production for a planned urban market, of which agricultural enterprises, enterprises in other farms and freely obtain the required means of production in the 5-year plan, the goal of the planned national development in agricultural sector will be achieved gradually, within the 5-year plan, through means of production.

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in physical terms, which should be balanced by a flow of financial resources with corresponding flows of means of production from industry, should also be retained during the transition period.

Indirect Instruments (Parametric Regulators) of Central Control of Private Farms

Transmission of central plan targets to farms of all sectors should be accomplished through a unified market, in which the bulk of farm products will be purchased and the bulk of means of production will be sold by enterprises.

A system of agricultural prices with a varying degree of centralization, a uniform system for all sectors, will function in this market. Central determination of prices on basic agricultural products will be retained, at the same time retaining decentralization and a high degree of flexibility of the price system covering a number of agricultural products, such as fruits and vegetables.

Procurement prices on agricultural products should ensure profitability of farm production, expressed in the fact that farm labor remuneration should be on the average not less than non-agricultural labor remuneration. Within the framework of achievement of this demand, it will be necessary to elaborate a special income policy for farms situated on the least-fertile soil and on land situated in particularly difficult conditions (remoteness and rugged terrain).

In order to ensure effectiveness to society as a whole of means of production expended in agriculture and for their proper mutual substitution, prices on means of production sold to agriculture should gradually be based on the social costs of their efficient manufacture or import. Changes in prices on means of production occurring from implementation of this demand should be compensated for by corresponding changes in the procurement prices on farm products.

There should be an effort, by means of an appropriate price policy and corresponding actions on the side of supply, to create conditions whereby the prices on all means of production would become equilibrium prices, which should make it possible fully to depart from controls and ensure individual farms in all sectors choice of the most efficient production structures and techniques. In like manner, there should be an effort through price and interest rate policy to create conditions of balance in the credit market, which should make it possible to move away from loan and credit limits. Employment of a supply and income policy ensuring a sufficient quantity of goods to cover the flow of money to agriculture is necessary to create the desired conditions. All actions which weaken the coverage of available money with goods limit efficiency of control of agriculture with the aid of market mechanisms and bring about employment of controls which have a highly negative effect on efficiency of consumption of means of production. This is one of the reasons why a temporary need to maintain controls on means of production and credit should be viewed as a necessary evil, which should gradually be removed. The first step toward enhancing the role of economic instruments should be departure from canceling of loans and basing the financing of capital investment in all sectors on a unit's own funds and on repayable, interest-charging loans given by banks, which would monitor the effectiveness of utilization of capital investment loans. The initiative in undertaking a capital project should come exclusively from the farm operation (agricultural enterprise).

Agricultural Enterprises

Agricultural enterprises of all sectors (private farms, producer cooperatives, state farms) should enjoy total independence in choosing structure of agricultural production and areas of capital investment. Adaptation of this structure to the needs of the national economy should be implemented by establishing suitable ratios between agricultural product procurement prices and prices on means of production.

Implementation of this principle should take place immediately, beginning in 1981, and should signify an absolute prohibition against assigning directive tasks in the area of agricultural production structure to farms of all sectors.

Private farms and producer cooperatives.

Under conditions of appropriate price policy and general market equilibrium, private farms are naturally interested in maximizing net output generated from purchased means of production, which on the majority of farms is equivalent to interest in maximum land utilization, expressed in maximum net output per hectare and income per worker. Like economic conditions should occur in self-governing producer cooperatives, which should become genuine cooperatives, adapting their output to market conditions, receiving no subsidies and making capital investments on the basis of their own funds or repayable loans.

State Farms.

The directive system of planning which exists in this sector, which promotes production at any price, without considering costs, is the principal source of the inefficiency of the majority of state farms. It is therefore necessary to institute, beginning in the new fiscal year (1981), a fundamental reform in the planning and management system, which should signify the following:

- restriction of levels of management and accomplishment of organizational changes aimed at creating units characterized by optimal size, adapted to the demands of managing production processes in agriculture;

- elimination of all directive tasks and emergency directives in the area of production and capital investment;

- capital investment financing based on a farm's own funds and repayable loans;

- gradual departure, as rapidly as possible, from subsidizing agricultural production;

- establishment of a work force and management bonus system which would compel them to boost net output and profit.

Among other things, this system should take into account the specific features of agricultural production, which demand evaluation of an enterprise's performance on the basis of results extending over several years.

Farmer Self-Government

One condition for correct implementation of changes in the system of planning and management is comprehensive development of farmer self-government in all sectors (private farms, producer cooperatives, and state farms).

Farmer self-government plays a particular role at the village level, which should assume control of land turnover, control of means of production, and service activities in the area of farm machinery. This self-government should also monitor capital investment activities in the area of land improvement and all capital investment in the village in the area of meeting agriculture's production needs as well as individual and group consumption needs.

Implementation of these demands requires fundamental changes in the powers of local administrative agencies, with particular consideration for grain heads.

VI. ECONOMIC PLANNING AND MANAGEMENT IN TERRITORIAL SYSTEMS

One important task of economic reform is significant streamlining of the functioning of the economy in territorial systems. It is most important that the functioning of local authorities and administration be based on genuine self-government, giving them the possibility of exerting effective influence on coordinated development of regions based on planning, with their activities based to a greater degree on local income, that is, on self-financing, giving them genuine authority in planning and managing specific areas, while eliminating fictitious authority in regard to areas which are not within the jurisdiction of the local system.

In recent years there has occurred in the system of management a substantial strengthening of the subbranch-branch structure. Local authorities have acquired new powers in relation to it. These have been in large measure fictitious powers, however, practically impossible to exercise. The increased independence of enterprises not under the jurisdiction of local authorities, as proposed by the economic reform, eliminates the appropriateness of extensive intervention by local authorities in their activities. Such intervention is allowable and justified only within strictly limited spheres connected with efficiency of regional development.

Parallel with the above, there has occurred a substantial narrowing of the sphere of economic activity controlled and managed in the system of local authorities. This applies both to areas which were traditionally administered by local authorities -- small-scale industry, general and agricultural construction, retail trade, and even certain areas of municipal and housing services. There is a need to examine and verify the scope of areas managed and administered within the system of local authorities. This should lead to an increase in their scope and its stabilization over a longer period of time. It is not merely a matter of precise specification of jurisdiction. It is a matter of clear-cut determination -- in the awareness of the public as well -- of those areas for the development and functioning of which the local authorities are responsible and within the bounds of which they can and should display initiative. This initiative should be expressed in the establishment or support of establishment of new enterprises (including cooperatives) wherever economic conditions permit -- manpower resources, local raw materials, etc -- and wherever this is justified by social needs.

For development of the local economy, it may be correct to base it on community ownership as well as on cooperatives. The scope of areas based on community ownership should be determined. The significance of community or municipal ownership is that local authorities have all municipal resources at their disposal (within the management system), and local authorities also benefit from the financial results of activities. Adoption of municipal ownership will create a permanent foundation for the local economy and will increase the capability of local economy self-financing.

The area of coordination powers of local agencies should be subjected to special analysis -- in order to increase their effectiveness in coordinating the development of the regional economy. Local economic coordination should ensure coordination by the voivodship governor and top administrative officials of the activities of units not subordinated to the people's councils with the technical and social infrastructure, with local resources, manpower, water, energy, local and secondary raw materials, etc. It should encompass initiation and organization by local agencies of coordinated action by units belonging to different sectors and organizational divisions.

Coordination functions should be performed by a system of contractual (planning) agreements and through special decision solutions, for example, localization-coordination procedures, and production and employment factors balances.

Particularly substantial possibilities for increasing efficiency of management in territorial systems involve local coordination of capital investment. Execution of joint and concomitant investments in the area of the municipal and social infrastructure should promote to a greater degree activation of the local area and make possible better satisfaction of the needs of work forces and the local populace. This requires amendment of regulations, aiming at:

- increasing the effectiveness of issued coordination-placement enactments;

- ensuring observance by investment financing entities of the obligation to guarantee expenditures for attendant and joint capital investment in the agreed amounts and time frame, as well as;

- substantially increasing the role of banks financing capital investments in disciplining capital investment processes.

One should recognize as an expedient solution a transition from the past shares system in carrying out attendant and joint capital investment to a fund system. This requires establishment of voivodship technical and social infrastructure funds, which should receive contribution payments by central investment financing entities for their assigned construction areas and for use of municipal services. These funds should become an important instrument in the hands of local authorities and state administrative agencies for eliminating development disproportions. Such solutions should be adopted in the area of environmental protection activities.

For efficient and effective management of development of regions, there should be a substantial broadening of the scope of their self-financing by comprehensive utilization of budget policy toward this end, and especially financial instruments provided in local budgets. For this purpose it is necessary to increase the degree of independence of local authorities and state administrative agencies in determining

the revenues expenditures aspect of local budgets. The magnitude of local revenues should be such that it permits financing of current expenditures, outlays on major repairs, as well as a substantial range of capital outlays, especially for the infrastructure. On the other hand, major capital investments as well as those current expenditures the magnitude of which is determined independently of local authorities should be covered by specific subsidies. An expanded scope of the local economy will become the principal source of growth of revenues.

People's councils should also have greater authority to make independent decisions on how to spend budget surpluses, with adoption of an appropriate system of verification of financial performance.

Enhancement of the role of local authorities and government administrative agencies in management of the national economy creates the need for expanding and deepening planning studies as well as problem programming in regional and local systems.

The following is essential in improving long-range programming, local and regional planning:

- improved methodological-organizational efficiency between different forms of local-regional and socioeconomic planning;

- methodological adjustment and ordering of regional and local planning, as well as;

- tightening of substantial and organizational integration of socioeconomic, local and regional planning services.

Increased independence on the part of local agencies in management of the economy should not deepen regional particularism. This requires ensuring appropriate instruments of intervoldship integration based on strengthening the functions of central planning in macroregional structures.

Implementation of schemes aimed at strengthening the role of local authorities and administrative agencies in coordinating the development of regions requires strengthening the financial-budget independence of voivodships and gminas. Improvement in the budget system should involve an increase in the share of local revenues at the expense of compensatory funds from the state budget or from the voivodship budget for the benefit of primary units. Simultaneously there should be an improvement in the system of local budgets in the direction of broadening the process of decentralization of financial powers and ensuring people's councils and administrative agencies a greater influence on independent budget formation and increasing responsibility for its execution. Stabilization of budget standards and principles on a scale of a period of two or three, or even five years should be an important feature, which could exert substantial influence on improving efficiency of management.

Numerous symptoms indicate that the present distribution among voivodships has in many cases created economically inefficient organizational solutions (excessively small economic units or their superior units, large number of above-voivodship units).

This requires appropriate studies and evaluations as well as conclusions. Such studies would be needed for determining an economically substantiated gmina size and model of its functioning.

VII. INTRODUCTION OF ECONOMIC REFORM

The specific economic reform solutions presented in the previous sections as well as their modifications or special solutions in the transitional period of course require further study and deliberation. As a result, some of the presented general or partial concepts may be subjected to changes or additions. Also essential is their greater concretization. A fundamental problem arises, however, at this stage -- that of the possibilities and conditions for adoption of a reform of this kind as well as manner of approach to its implementation, from which appropriate action scenarios should proceed.

A basic question is programing of the reform and the mode of its implementation as applied to this country's concrete economic and sociopolitical conditions which can be projected for the immediate future -- especially the end of 1980 as well as 1981 and 1982.

The following should be stated regarding the conditions of the period in which the reform should be adopted:

A) The prospects of this country's economic situation are extremely unfavorable in the period 1980-1982. They are characterized by three basic circumstances:

very narrow maneuvering room in the area of foreign trade, connected with heavy loan indebtedness and unfavorable foreign market prospects;

prospects of a growing "inflation gap," which is a result of increased wage and social demands accepted in agreements with the trade unions, as well as little possibility of increasing supply in the face of adverse economic conditions, and further worsening of production performance and effectiveness of the economy;

exceptionally poor agricultural production performance in 1980, which will also affect 1981.

We can expect a pronounced decline in national income in 1980. We can hardly expect a substantial income growth in 1981, and in connection with heavy loan and interest payments this year, we cannot anticipate growth in distributable income. Prospects are not much better for 1982. As a consequence one can count on a worsening of the nation's economic situation at least in the immediate future and in 1981, and perhaps in 1982 as well. These are the evident and presently dominant trends. These trends certainly can be reversed, but effects will not occur rapidly.

B) On the other hand, there are appearing marked new trends and sociopolitical forces which have come forth in the free trade union movement and have been manifested in broader social trends connected with expectation of a general sociopolitical renewal. Growth in aspirations and demands, including, and perhaps primarily, in the area of consumption, is a natural trend. The dynamics of these trends, by the very nature of things comes into conflict with the realities of economic capability. Resolution of this conflict is a fundamental challenge for policy in the immediate future.

In a situation defined by the stated conditions, implementation of an economic reform is particularly difficult, for it would have to be adopted in a situation of substantial and growing economic imbalance. Imbalance signifies growing rigidity in economic management policy and difficulty in allocation of resources, because of which increase in independence of enterprises encounters considerable restrictions and cannot produce effects. At the same time a reform cannot free new economic motivation factors, because growth in income further disturbs equilibrium. At the same time, however, implementation of reform produces sociopolitical effects, which possess enormous weight in the prevailing situation. Therefore the reform should be adopted for its sociopolitical effects, with economic effects expected at a later time. In connection with the above, there arises the need for the reform to be adopted in such a manner that attendant undertakings produce the desired sociopolitical effects with the earliest possible achievement of economic results. This line of action leads to the following conclusions.

Economic Equilibrium

Economic equilibrium is of the most fundamental importance for the success of an economic reform. Equilibrium supports reform, and the latter in turn promotes further improvement in efficiency and balance. The principal significance of this interrelationship during the period of implementation of reform is as follows:

A) Equilibrium in the consumer market under our present conditions is the most important feature of improvement of this country's economic situation. People sense improvement with a good market more than with a poor one, including when earnings and consumption growth is less in the former instance than in the latter. A feeling that the situation is improving constitutes a fundamental condition for improving public attitudes and support for a policy, which is a basic condition for increase in socioeconomic discipline and improvement in policy effectiveness.

B) Equilibrium in the consumer market, linked with system solutions, produces better adjustment of production to needs and strengthens the action of motivation, which signifies an improvement in efficiency of management.

C) Equilibrium in the capital investment process and in the supply market is a basic condition for achieving economic effects from implemented changes within the scope of independence and development of initiative of enterprises. Without this, reform undertakings can create obstacles, for release of new elements of progress will not be accompanied by implementation possibilities. Better equilibrium also signifies greater controllability of the economy in the sense that central financial-economic instruments become more effective. One should anticipate that without achieving greater effectiveness in this area, the central authorities will display tendencies to expand administrative methods.

D) Improvement of equilibrium in foreign trade permits better utilization of this trade to improve efficiency and increase flexibility in economic management.

Seeing this importance of equilibrium for success of the reform and for boosting efficiency, a basic choice should be formulated, a choice facing this country's economic policy.

One alternative is continuation of the imbalance, toward which current development trends are moving. Without a substantial change in these trends, one can expect a growing inflation "gap," a result of wage-income demands and the economy's low level of fitness. This situation would have to continue for three or four years, until such time as decrease in individual and societal consumption and capital investment on the one hand and movement past the "bulge" of debt payments on the other would create the possibility of the economy entering a period of growing rate of economic growth. A situation of "snail's pace" imbalance for a period of several years offers unusually unfavorable prospects for implementation of an economic reform. It contains the danger of ineffectiveness of reform and even its breakdown, for a lack of effectiveness and results can lead to increased dissatisfaction and frustration and to an attitude of "nothing can help now."

A second alternative is maximum shortening of the period of imbalance and rapid achievement of a positive coupling between improving equilibrium and reform, producing increased efficiency of management. A policy of this kind requires, however, considerable aggressiveness and courage. Connected with it is the necessity of obtaining increasing political support, which requires undertaking a great many actions and means.

We definitely favor the second alternative, for it alone offers a chance of effectiveness of economic reform and success in this country's subsequent socio-economic development. All proposals formulated below are in accord precisely with this alternative.

Policy Undertakings for Rapid Achievement of Equilibrium.

Review and cutback of the capital investment program should be undertaken immediately. This is a widely comprehended but slowly implemented need. Every day of continued expenditures on projects which will have to be halted is a waste of additional millions of zlotys.

The government is implementing a policy of restrictions on various budget expenditures. Certain obstacles, however, are facing this policy. Various pressure groups, riding the wave of sociopolitical activism, are pointing to cases of neglect, frequently quite striking cases, and demanding increased expenditures for various purposes (culture, health, science, etc). This is going on in the forum of the Sejm, various congresses, meetings, trade unions, etc. Experience indicates the great difficulty of the government's position, since it is so set up institutionally that it cannot avoid being that "evil" which does not provide, which restricts, which fails to understand needs, etc. It would seem that the following are essential in order better to cope with the situation:

a) decisive acceptance at the highest political level of the necessity of temporary postponement even of very urgent needs -- until such time as the economic situation experiences substantial improvement (equilibrium), that is, a period of one or two years; this should be accompanied by strong argument in favor of the great societal need for limiting expenditures as well as acceptance of that which is fair and correct in the submitted demands;

b) handing over to the Sejm decisions pertaining to distribution of resources among different societal goals; it is better to perform resolution of

conflicts between different societal needs in the forum of the Sejm than on the platform of Sejm-government relations.

Measures are needed in the area of redistribution of income, which in the present situation must signify a reduction in the highest income group. These measures should be carried out on the basis of argumentation of the common good and "popular necessity," not condemnation of the higher income levels if such income was legitimately earned. There are possibilities here in the following areas:

- a) adoption of an upper earnings limit;
- b) adoption of verification of the so-called compensatory tax, to ensure that it is applied across the board, without exceptions;
- c) additional restriction on various earnings "on the side."

Alongside the above, there should be introduced a policy of full disclosure of salaries for persons in top positions.

The previously stated policy measures are unable to resolve the situation in the area of equilibrium, for essentially this country's economic situation demands a decrease in overall consumption by a fairly substantial amount. The inflation "precipice" which will occur in 1981 is of a considerably greater scale than possible limitations on capital investment, public expenditures and decrease in the incomes of higher-earnings groups. A consumption decrease by an income policy which would affect large segments of the public is not realistic, while it is also exceptionally difficult to achieve by raising prices. Proposed as a general guideline for economic policy is adoption of a thesis not of "reducing consumption" but "shifting consumption in time." A policy to this effect should be clearly formulated and presented to the public with a full explanation of its significance, methods and advantages. Shifting consumption in time, which should exert considerable influence on market equilibrium, can encompass the following undertakings:

- a) growth in traditional savings, which requires raising the interest rate on savings as well as additional adoption of various attractive forms of savings;
- b) aggressive marketing of government interest-bearing bonds; Poland is a country with exceptionally low internal indebtedness (just as other socialist countries), while world experience indicates the enormous importance of internal indebtedness.
- c) extensive enlistment of contributions by the general public -- financial and material -- to finance growth and development of cooperatives (this would require appropriate changes in the bylaws of cooperatives);
- d) adoption of participation by the public in financing industry, which could be accomplished by establishing in certain areas mixed, state-cooperative enterprises with the workers holding financial shares.

All these undertakings together could substantially help improve market equilibrium. They would also have a considerable influence on increasing confidence in the currency.

A consistent policy of limiting budget subsidies is of exceptional importance for improving equilibrium and efficiency. Subsidies have the same inflationary effect as income, although frequently this cannot be seen, and in addition they have a negative effect on efficiency of management, enabling some to prosper at the expense of others.

Action to limit and subsequently gradually to eliminate subsidies should be conducted, however, under the slogan of national need. It would be a good thing to develop in some areas (in agriculture, for example) competition for elimination of budget subsidies. In order to strengthen government efforts in this area it is necessary to adopt as quickly as possible the principle that subsidies should be determined by representative bodies -- the Sejm and the people's councils. In this way strong sociopolitical pressure will develop, which under this country's present conditions can be more effective than administrative pressure; the latter has not shown any effectiveness whatsoever, as is indicated by the experience of past years.

A policy of price increase should be only a last resort, after all others have been exhausted, a policy which, however, must be closely linked -- in case of price increases on basic items -- with means of compensation, protecting low-income groups.

All the above means (and of course other possible devices as well), although not of a purely "systems" nature, are of the most fundamental significance for the success of the systems reform. Their very rapid, immediate adoption would be most beneficial, for the sooner results are obtained in the area of improving equilibrium, the better the conditions will be for adopting the reform, and the faster its effects will be felt. In such a situation the reform builds up momentum together with equilibrium and improved efficiency.

Dynamic Nature of Economic Reform Undertakings

Execution of an economic reform is one of the most important, major policy undertakings. Execution of an undertaking of this kind can strengthen faith in the intentions and ability of the leaders to act, and can obtain for them growing sociopolitical support. In order to achieve this, there must be attained a suitable dynamism of systems changes, standing in opposition to waiting, passivity, and sluggishness. A dynamic nature of changes is also essential in order to overcome conservative resistance and for the strength of government authority to be revealed; government authority is manifested precisely in undertaking and effective execution of great affairs.

Aggressiveness and dynamism of changes should be manifested first and foremost in undertaking a policy of actions aimed at achieving economic equilibrium (as discussed above). This is the best initiation of a reform, for it creates favorable conditions for it.

Changes of an institutional type, which are not affected by economic factors, can be elaborated and implemented rapidly. We have already proceeded along this road, and should continue. Needed in particular is a series of legal regulations. In addition to matters which have already been deliberated or addressed (Supreme Chamber of Control, law on trade unions, law on enterprises, etc), of particular importance is new regulation of relations between different agencies of authority, and particularly between the Sejm and the government. This should result not only

in more appropriate systems solutions but also increased prestige for the Sejm, which increases the force of government decisions.

Other elements for increasing the strength of government action should also be sought. This strength has become greatly diminished, for the authorities lack adequate legitimation in democratic elections and in the conviction of the public about the integrity and correctness of policy; the public's faith has recently been greatly shaken by sharp criticism of policy mistakes and distortions. Making the authorities answer to the people by means of a referendum appears justified. The question of further "forcing" of wage increases, leading to inflation and making implementation of an economic reform impossible, could be submitted to popular referendum. A statement of the public's wishes in this matter would provide a foundation for consistent government action.

Reforming of worker self-government can be rapidly accomplished. Implementation of the previously indicated proposals pertaining to adoption of a provisional worker self-government can have great sociopolitical and systems significance. Initiative and aggressiveness in this area can begin a turnabout in public attitudes, create an element promoting further systems changes, and establish better relations with the trade unions.

We believe that proposed changes pertaining to reorganization of the central administration can be carried out relatively quickly. Initiation of this matter would bring a turning point in the public mood, for it would show a determination to adopt progressive changes and that such changes are irreversible.

All the above indicated actions, carried out sequentially, step by step, would produce what was defined above as dynamism of economic reform undertakings. They should dominate the attention of the public in this coming year. This would be supported by announcement of the main directions of the comprehensive economic reform.

Institutional changes and reorganization of the central machinery of course cannot take the place of changes in the actual functioning of the economic mechanism. Only a linkage of these two items can produce the proper effect.

Changes in the system of planning, consisting in reducing the bureaucratic nature of this system, reducing centralization, plus elimination of gross and other indices which are widely recognized as having an anti-efficiency and disorganizing effect, should be adopted very rapidly. Changes of this kind, which should be utilized in constructing the plan for 1981, are in preparation, and the government will certainly adopt them.

It would seem justified, following announcement of adopted main points of economic reform, to proceed with alacrity in the individual areas, with the aim of adopting as rapidly as possible changes in those areas where economic or organizational conditions are no hindrance.

Consequently it would seem possible, for example, to prepare system changes in agriculture fairly rapidly and adopt them in 1981.

The possibility and feasibility of rapid adoption of changes in certain branches of industry should also be considered, changes pertaining to payroll funding, capital

renovation and certain solutions in the area of foreign trade. Following adoption of the main economic-financial solutions of the reform, they should not be introduced simultaneously, but partial solutions should be adopted wherever it makes sense to do so. At this point the argument of incomplete comprehensiveness could be raised. In any case this argument should be considered, but together with an understanding of the sociopolitical importance of rapid solutions. In any case consideration should be given to this kind of approach to implementation of reform.

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BACKGROUND OF FOOD SUPPLY SITUATION, DEVELOPMENT PROGRAM SURVEYED

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[Article by Wlodzimierz Dzun: "Food Economy Problems"]

[Text] Improvement in the nation's food supply has always been and still is an integral part of the program for socioeconomic development of the People's Republic. Since the early 1970's, with acceptance of a concept of a socioeconomic policy exposing the active role of consumption in the country's development, a policy based on the one hand on the dynamic increase of personal income and on the other hand on adapting the pattern of production to the needs of the people, rapid growth in food supplies to the market has become very important. In accordance with the postulates of the 1971 PZPR Central Committee's Tenth Plenum, a large growth in food production was planned, particularly in animal-derived products, which would satisfy the expected increase in food demand. During 1971-1975, meat consumption per person was to increase by 7.6-8.6 kg, reaching a level of 61-62 kg per year. However, a higher increase in real personal income than had been envisaged, and a more rapid growth in farm production than had been planned, particularly livestock (due mainly to release of ordinary farm stocks and to very favorable climatic conditions for three successive years) led to the fact that the assumed level of food consumption was reached by 1973. Thus, in 1974, at the PZPR Central Committee's Fifteenth Plenum, for the first time in our country, a long-range, comprehensive program of food supply development was formulated. It was stated at this plenum that food production must be made one of the most important sectors of rational production, capable of satisfying the country's domestic needs and providing for steady and large exports. It was emphasized that these were not conflicting goals, but that they were mutually linked and that long-range development of food supplies was possible only if these goals were considered jointly.

The program for improving the nation's food supply, as passed at the PZPR Central Committee's Fifteenth Plenum, contained the following aims:

- 1) Increased consumption of high-quality products with a high animal-protein content;
- 2) Increased fruit and vegetable consumption, improvement in assortment and uniformity of consumption throughout the year;
- 3) Decreased consumption of carbohydrate products, consumed excessively in Poland;
- 4) Moderately increased consumption of fats and sugar, whose consumption in Poland is already relatively high;

5) Equalization of level and pattern of food consumption in various socio-occupational groups.

This program assigns to the food economy a particularly difficult task as concerns higher consumption of high animal-protein products. Meat consumption for 1980 was set at 75-77 kg, to increase to 85-90 kg in 1990; milk and milk products (excluding butter), 310 and 340 liters, for 1980 and 1990 respectively; butter, 8.5 and 10 kg; and eggs, 230 and 270 per year. The extent of these targets is shown by comparing the growth of meat and butter consumption during 1960-1970 with the targets for 1970-1980. During the 1960's, consumption of meat and variety meats per person per year increased from 42.5 kg in 1960 to 53 kg in 1970, an increase of 10.5 kg; butter consumption increased from 4.7 to 6 kg, or by 1.3 kg. But for the 1970's it was planned that consumption of meat and variety meats would increase by 22-24 kg, and butter by 4 kg.

General speaking, this program as it relates to the planned level and pattern of food consumption, envisaged that it would very quickly come up to that of the most developed economically capitalist and socialist countries. Consumption indices for basic food products envisaged in the program for 1990 are close to the upper limit of reasonable subsistence.

To ensure that the planned consumption level will be reached and that the appropriate surpluses will be utilized for export, the program developed at the Fifteenth Plenum defines tasks for all components of the food economy. The tasks assigned to the sectors, branches and subbranches of the material products sphere, which are harnessed into the food production process, are outlined very specifically.

The basic component of the food economy--farming--has been given a very large assignment in livestock production. Production of slaughter animals was to increase from 3.7 million tons in 1973 (3 million tons in 1970) to 5.6-5.9 million tons in 1980 and 7.0-7.3 million tons in 1990; milk, from 15.7 billion liters in 1973 (14.5 billion liters in 1970) to 20.1-20.4 billion liters in 1980 and 24-25 billion liters in 1990. Farm livestock population should reach the following levels in 1980 and 1990, respectively: cattle, 15-15.5 and 16.5-17 million head; pigs, 25-26 and 27-28 million; sheep, 4 and 5.5 million. The program also provided for a large acceleration in crop production for fodder and direct consumption. It was anticipated that with rapid intensification of crop production the following yields should be obtained in 1980 and 1990, respectively: four grains, 31-33 q/hectare and 36-40 q/hectare; sugar beets, 380 and 400 q/hectare; potatoes, 220 and 260 q/hectare. It was envisaged that these yields and some necessary changes in sowing patterns should make it possible to harvest 26.5-28.2 million tons of four grains in 1980 and 31.5-33.5 million tons in 1990; potatoes, 52.8 and 44.2 million tons [as published] in 1980 and 1990, respectively; and sugar beets, 19 and 21 million tons.

The program indicated that due to the year-to-year drop in arable land acreage and the decreased employment in farming, these stretched goals can be reached only by intensifying farm production, i.e. by rapid mechanization of livestock and crop production, important progress in chemicalization of agriculture, more rapid introduction of highly-intensive varieties of tillable crops and more productive farm livestock, and more efficiency in farm management and control. To accomplish these plans, a large increase in outlays for production investments in agriculture and in the supply of production means, particularly machines and equipment, was forecast.

It was stated at the Fifteenth Plenum that: "Farming production is the most difficult and socially most indispensable segment of the food economy. Large outlays are required to obtain the production increases that are necessary. We must make these outlays to ensure sufficient progress in farming production to satisfy the growing needs of our society."

Because farming in the modern food economy to an ever-greater degree fulfills the function of a producer of raw materials, which reach the consumer only after processing and refinement, the program developed at the Fifteenth Plenum also envisages a large expansion of farm product procurement centers and warehouse facilities, outfitting of procurement and trade organizations with the transport means adapted to their requirements and rapid expansion and modernization of the food industry.

In connection with farm product intensification and expansion and modernization of the farming industry, and also improving the efficiency in trade and the food catering service, the following specific tasks were assigned to the machine, chemical and building materials and construction industries. In particular, it was planned that during 1976-1980 the tractor industry would be expanded and reconstructed and that the production of machines and transport means for the food economy would be expanded. During 1976-1980, farming was to have received machines valued at 150 billion zlotys; the food industry was allotted machines valued at 30 billion zlotys. It was planned that the chemical industry would quickly increase artificial fertilizer supplies, making it possible to fertilize at the rate of 250 kg NPK [nitrogen, phosphorus, potassium] per 1 hectare in 1980 and 350 kg in 1990; that it would greatly increase supplies of crop pesticides; and that it would produce a rich assortment of fodder additives for better cattle feed. In order to accomplish the investment program in farming, a large increase in supplies of construction materials for the countryside was planned for 1976-1980, as compared with the previous five-year plan, e.g., a 50 percent increase in cement and a 47 percent increase in wall materials.

The food economy development program passed at the Fifteenth Plenum of the PZPR Central Committee is a very ambitious, long-range and comprehensive program. It provides solutions to the nation's food supply problems which will make it possible to obtain consumption indices equaling those of the most economically developed countries and to fully meet reasonable subsistence requirements at a high level of consumption. To achieve this, the program provides for a two-fold increase in total farm production during 1970-1990, necessary expansion of all sectors of the food economy, and development of highly qualified, enlightened and affluent farm producers in the countryside.

However, at the very start of the program's implementation, some serious negative aspects appeared in the food economy's development during 1971-1973. First, attention must be called to the disparities in ratios of investment outlays between farming and industry and construction. During 1966-1970, average annual growth rate of outlays in farming was 8 percent. In industry, it was 7.7 percent, and in construction it was 11.6 percent. But in 1971-1973 these indicators were, respectively: 12.8, 23.5 and 33.4 percent. Thus, while rapid growth in outlays in the entire national economy during 1971-1973 is noted, including farming, the disproportion in their distribution is apparent. All in all, farming's share in investment outlays dropped from 16.1 percent during 1966-1970 to 14.5 percent in 1971-1973 (1971 fixed prices). Second, during 1971-1973, during a period of rapid farm production growth (in 1973 marketable farm production increased 34 percent over 1970), a disproportion

between marketable farm production and food industry procurement and processing capacity appeared. Disproportions in outlays for individual components of the food economy in the previous five-year plan had an impact. This applies particularly to insufficient investment in the food industry. Third, during this period there was a trend toward a deteriorating balance in turnovers of farm-food items in foreign trade. As a result of the increasing disproportion between the livestock and crop production growth rate (during 1971-1973, total crop production increased 16.1 percent and livestock production increased 25.7 percent), fodder and grain imports grew gradually from 2.9 million tons in 1970 to 4 million tons in 1973.

It should be stated here that the increase in grain and fodder imports occurred during a period of three successive years of good harvests. This situation was the result of the policy of increasing livestock production by importing cheaper fodder and paying for these imports by exporting meat. This operation was very profitable for Poland because two tons of grain could be purchased abroad in return for exported meat produced from one ton of grain. This situation changed radically in 1973 due to very poor world grain harvests. In 1974 the prices of grain and fodder rose from \$60 to \$260 a ton. Later, due to the energy crisis, grain and fodder prices dropped, but they leveled off at a much high price than before the increases in prices of energy raw materials. Thus, for meat produced from one ton of grain, Poland can now purchase 1.2-1.3 tons of grain abroad. And so this operation became unprofitable. However, in the difficult circumstances of 1974, when crop production fell, in order to prevent a drop in livestock production and a further deterioration in the already strained market, grain and fodder imports had to be increased from 4 million tons in 1973 to 5 million tons in 1974. All of this caused a sudden change from a favorable to an unfavorable balance in foreign trade involving farm-food items.

The year 1975 was especially difficult for the food economy. There was a large drop in crop production and at the same time, because of the problems in foreign trade, grain and fodder imports were not increased. This resulted in a large disproportion between feed stocks and farm livestock population, which as a consequence caused a drop in livestock production.

Despite the above-stated problems in food economy development, 1971-1975 was a period of increased consumption, particularly of animal-derived products. Meat consumption per person rose from 53 kg in 1970 to 70.3 kg in 1975; milk and milk products rose correspondingly from 262 to 270 liters; and fats from 18 to 23 kg. But at the same time, the problems occurring made it apparent that the indices on farm production growth and on consumption as set forth in the food economy development program for 1980 are too optimistic and difficult to attain. This was expressed in the resolution of the Seventh Party Congress, and to an even greater degree, in the plan for 1976-1980. The cattle population level to be attained in 1980 was reduced from the 15-15.5 million head planned by the Fifteenth Plenum to 14-14.3 million head, and pigs from 25-26 million to 21-22 million. Because of this, indices of planned consumption in 1980 were also lowered, although slightly--meat to 75 kg and milk to 280 liters per person.

Serious problems occurred in implementation of the food economy development program in the first years of the present five-year plan. Because of the large drop in crop production in 1975 and because the feed shortage could not be compensated by higher imports of grain and fodder, there was a very serious drop in livestock production in 1976. Over one million peasant-worker farms either reduced their livestock population or completely withdrew from livestock production due to limitations on

purchases of concentrated fodder. This had a very serious impact, for it caused a market imbalance in food, the supply of which was no smaller than in previous years, but too small to satisfy the fast-growing demand, especially for meat. The demand resulted from the high growth in personal income, which to a considerable measure was affected by the faulty structure of prices for food items (prices relatively low or frozen) and non-food items (prices relatively high with a trend to still further growth). This situation deteriorated further as a result of the poor grain harvests in 1977 and 1979. Problems in livestock production, despite a large increase in grain imports in the years that followed, not only did not lessen, but even intensified. Because the growth in personal incomes was not reduced, not only were imports of grain and fodder held at a high level, there was a sharp reduction in exports of farm products, and even a temporary importation of meat and animal fats.

The situation which existed in farm development and in the food economy during the second half of the 1970's was affected considerably by the very unfavorable climatic conditions for crop production. But the basic effect was the reduction in rate of material inputs for farming. In 1972-1973 material inputs and outside production services grew at an average rate of 17 percent. But in 1974 they dropped to 9 percent, in 1975 to 7 percent, and for 1976-1980 a growth of 6.1 percent was planned. But even this very low growth was not achieved. During 1976-1979, supplies of materials and services rose by an annual 4.7 percent average, and in 1979 supplies even dropped.

The halt in growth of artificial fertilizer supplies had a particularly negative effect on crop production growth. During 1969-1970 to 1974-1975 artificial fertilization increased from 123.6 kg NPK per hectare to 181.9 kg NPK per hectare, i.e. by almost 60 kg NPK, but from 1974-1975 to 1978-1979, the increase was only 7 kg. There were also problems in supplies of chemical pesticides. The support for farming weakened at a time when investments in industry, particularly in production means and construction, were maintained at a high rate. This resulted in a very sharp increase in requirements for farm products and an exodus of the most valuable manpower from farming. Manpower losses from farming were not sufficiently compensated by deliveries of farm machines and equipment. Problems occurred in implementation of investments particularly indispensable for faster development of agriculture, e.g., in the machine building and chemical industries. The Party noted these problems and very strongly called attention to them. The resolutions of the Fourth, Fifth and especially the Sixth Plenums of the PZPR Central Committee attest to this. The Party advised an economic strategy based on transferring a part of investment outlays and material means to accelerate development of the food economy and especially its main component--farming. It was also stressed at the Sixth Plenum that all economic and State administration units should be assigned greater responsibility for fulfilling their commitments to farming, for proper handling of all related investments, for complete and timely delivery of production means, and for their proper, in accordance with production requirements, utilization. However, as a result of the objective difficulties taking place in the economy and also as a result of the paralysis in management and control, the Party's recommendations were not fully implemented.

Foreseeing the consequences of the imbalance in the food market, the Party in 1978 at the Eleventh Plenum of the PZPR Central Committee began a critical examination of the implementation of the food economy development program accepted at the

Fifteenth Plenum of the PZPR Central Committee in 1974. It was stated at this plenum that to ensure further development of the food economy the following actions are indispensable:

- utilization of all available capacity to increase grain and fodder and other crops; more efficient processing, preservation and consumption of fodder; improvement in grain-fodder balance, thus raising the country's fodder self-sufficiency level;
- continuation of restoration and development of livestock production based more and more on feeds derived from our own farming resources;
- further modernization and expansion of the farm-food industry and intensification of the conversion of farm crops, warehousing and storage, so as to more fully utilize farming raw materials and add to the market;
- increasing, in accordance with established plans, supplies to the countryside of farm production means and their applicability to farm modernization requirements; strengthening the work discipline in this field;
- increasing the efforts to improve management efficiency in farming and in all food economy units.

It is now known that the 1980 indices projected in the program for improving national subsistence and farm development, even those revised in the five-year plan, will not be achieved. Taking into account the last decision of the PZPR Central Committee's Fourth Plenum and the government's decision on increasing the importation of farm products, particularly meat, it can only be anticipated that consumption of meat and variety meats and milk and milk products will remain at the 1979 level, during which meat consumption per person was 73 kg and milk and milk products was 264 liters.

In summing up this period of implementation of the food economy development program, it can be said that the sources of the difficulties in farming and in the food market are rooted mainly in unbalances in the entire national economy. Examining these problems in the People's Republic Sejm, A. Zabinski, speaking for the PZPR Deputies Club, said: "The main cause of weakness in our food economy is neglect of farming. Instead of increasing farm inputs, they were constantly reduced or shifted to other purposes. Deficiencies in supplying the farms with production means, materials and fuel are also glaring. None of the plans made thus far for supplying the farms have been executed. We must return to the resolutions of the PZPR Central Committee's Fifteenth Plenum and eliminate the erroneous policies and practices in approaching the developmental needs of farming. There can be no modern industry without modern agriculture."

The following questions arise here: Can we, and if so, how, by the end of 1985 become a country totally self-sufficient in food, as directed by the Eighth Party Congress; can we, and if so, how, achieve the food indices projected for 1990 in the program for improving national subsistence and farming development accepted at the PZPR Central Committee's Fifteenth Plenum. The answers to these questions are even more difficult if we take into account that the development of the food economy, at least in the next five-year plan, must be accomplished under very difficult and complex conditions. These difficult conditions arise from the following causes:

- very serious strains in the entire national economy, particularly in the country's balance of payments, energy balance, transport and investment;
- lack of market equilibrium, especially in the meat market;
- difficult internal conditions in the development of the entire national economy;
- decreased manpower availability for work in farming and in the entire national economy;
- the fact that implementation of the five-year plan is being begun at a time when imports of grain and fodder are at a very high level.

The intensifying disproportion in price structure between food and non-food goods will be an additional obstacle in accomplishing tasks. The list of goods and services proposed by the government as subject to specific price controls contained almost 50 farm-food items, including meat and variety meats and milk and milk products. Thus a very large increase in pressure on the food market should be expected.

It appears that despite these difficulties, the accomplishment of food economy tasks, although very hard, is nevertheless possible, and under the existing sociopolitical situation it is absolutely essential.

First, a large increase in funds for farming development and modernization must be provided very soon. In the preparation of the next five-year plan it was forecast that farming and food economy's share in the total investment pool would be 26 percent, and farming alone, 16-17 percent, meaning that it would remain on the 1970's level. Decisions of the PZPR Central Committee's Fourth Plenum show the need for a large increase in outlays for farming and other sectors of the food economy.

Second, all sectors and branches of the national economy must provide complete and timely delivery of production means and building materials to the food economy and to farming in particular.

Third, more efficient utilization of the increased investment outlays and the production means already on hand in farming is of fundamental importance. The amount of improvement that is possible in this area is shown by the example of the FRG, where with 21-22 million tons of grain produced annually, 8 million tons of grain and fodder imported, and 10-13 million tons of potatoes harvested annually, pork and beef production is one and a half times higher than in Poland. Increased farming production efficiency demands improvement in management and control of the food economy, enhancement of management skills and work quality.

Fourth, it is essential that the obstacles impeding farming production growth, which result from an unfavorable agrarian structure and the demographic structure of peasant farming, be effectively removed. To do this, land turnover must be made more efficient, succession of farm ownership and expansion of specialization and co-production in the peasant economy must be accelerated.

Fifth, an essential condition for fulfilling the tasks faced by the food economy, thereby improving equilibrium in the food market, is reduction in farm product losses in the sphere of farm turnover and storage, and losses in food items in the sphere of trade and supply.

The atmosphere is now favorable for making the necessary moves to accelerate farming development and to put the problems of the entire food economy in order. In the above-cited speech, A. Zabinski said: "We put the problem candidly: Farming development and improvement in the nation's food supply demands large investment outlays, machines, materials, artificial fertilizers, plant pesticides, and other production means. We believe that all sectors of the national economy should voluntarily relinquish a large portion of their outlays and means in favor of farming and the farm-food industry. But we cannot confine ourselves to simply an appeal. We must firmly and absolutely make sure that this is done." However, an increase in supply of food products alone will not fully stabilize the food market in Poland. In order to restore equilibrium to the food market, industry must participate to a larger degree, the value of money must be stabilized, wages must be adjusted, and the structure of retail prices must be normalized.

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CAUSES OF MEAT SUPPLY SHORTAGES ANALYZED

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[Article by Zaharije Trnavcevic]

[Text] After the increase in purchase for livestock and retail meat prices, the improved market just seems to be better supplied because consumers today are [simply] buying less meat. The key to higher meat production lies in the fields, in higher production and better use of livestock feed, especially corn. The announced ban on slaughter of piglets and calves (in which we are among the first in Europe) has prospects for success only if in the meantime more livestock feed is prepared. How can the Irish, who do not grow corn, easily manage to have lots of cutlets on their tables and still export 3 times as much meat as Yugoslavia, which is one of the great corn producers?

The fast has ended, but nobody guarantees that from now on we will eat meat...

Certainly, there is meat in the shops, the selection is better. There is veal, fillets and, as the newspapers recently transmitted the announcement of the butchers, everything cannot be sold during the course of the business day. The plotters of increased consumer prices probably will take this situation as definite proof that they were right: prices were raised and now there is meat.

Yet really it is only a mirage that is in question. They forget that the consumers are pressed by general inflation and the fall in the standard of living, so that they must reduce their outlay for something. Therefore, the cutlets are fewer and thinner on our tables today.

Where Lie the Roots of Our Fast?

The shortage of meat is the consequence of the imbalance between consumption and production.

In recent years we have had a rapid increase in meat consumption, with essentially a stagnation in the development of animal raising. 8 years ago, average meat consumption amounted to 38 kg annually, while last year it was 52 kg. In the meantime, meat production fluctuated around 1.2 million tons. When we add to that the fact that because of devaluation of the dinar we had more foreigners in our hotels this past summer, we see the chief reasons. This imbalance was resolved in previous years and recently as well by price corrections. That is the approach in other

circumstances as well, which shows that our system of price supports is relatively pitiful. In general, many economists resort to price "corrections" when they cannot think of better and more just solutions. This is confirmed by the fact that the price institutes constantly receive new requests and calculations. They believe too much in the power of prices. One proposal, one signature on a request eliminates all concerns and all responsibility for insufficient utilization of capacity, errors and ignorance, all of which are transferred to the buyer.

Yet price intervention that is not accompanied by other measures, in principle, has only short-term effects. During this decade, there have been numerous corrections of wholesale and retail prices for livestock and meat, but still we have not emerged from a shortage situation. Therefore this time as well, we can repeat the well-known chain of cause and effect: higher wholesale prices will increase interest in fattening livestock, and that will increase demand for stock feed and bring a leap in the price of corn and, after a certain time period, once again there will be new calculations, evidence and requests for price increases!

We Built Slaughterhouses, But We Forgot the Livestock

A look at previous policy in this branch of agriculture shows that we have lost from view the basic fact that meat "grows" in the meadow, and there is a need to advance the production of livestock feed as well. Instead of that, we have been more engrossed with so-called problems of processing facilities, or slaughterhouses. It was felt that we must first build a slaughterhouse, as if the root of the problem lies in the fact that we have nowhere to butcher all the livestock. Behind that position is concealed the desire to retain livestock, like all other raw materials, within the bounds of the local area and process it in one's own plants. As things proceeded, there was little more needed before it would be proclaimed that a yearling beef must be slaughtered where it had grazed.

In practical terms, we built a lot of structures and that led us to the situation where today we have too many slaughterhouses. No one can give a reasonable answer to the question about how many "public places for butchering" are to be found in Yugoslavia. Unofficially, that figure is set at 1500 slaughterhouses. Even if that number is only half-correct, it is too many, Denmark, for example, slaughters 13 million and processes them into bacon and canned ham, with only some 30 cooperative modern slaughterhouses.

For the territory of Serbia proper, we have precise figures: there are 253 slaughterhouses, of which 136 are socially owned. When we consider that there are 94 opstinas in Serbia, it turns out that besides in opstina seats, there are also slaughterhouses in individual villages.

Many slaughterhouses have lost the right to butcher animals intended for export. Almost all operate with losses and lack resources for modernization that would extract them from their unenviable situation.

One solution would be to gradually close small plants, and leave about ten large, modernly equipped meat plants. It is not, however, clear just who is ready to agree to such a solution. In that case it would be necessary to find jobs for the employees of the closed slaughterhouses. In general, circumstances here are not such that we are forced to such a radical constriction and concentration of

capacities in this branch, for in the last analysis, everything will nonetheless be paid for by the purchaser of meat, whether it is through increased prices or in the form of contributions from his income to a mutual reserve fund that will cover the losses of the butchering industry.

Delusions About Our Gold-Corn

Neither efforts to change the breed composition of the livestock pool, nor the building of modern farms and husbandry facilities have brought major changes, because we have not worked to increase the production of livestock feed.

Precisely for that reason, specialists of the Foundation for Advancing the Production and Marketing of Livestock and Livestock Feeds consider that the key to continued growth in consumption and exports of meat lies in livestock feeds. In the program presented in the middle of this year to the appropriate agencies of the Federal Executive Council, 5 of the 17 points addressed the fact that we must produce more corn and other feeds.

So far we have suffered meat shortages because we did not have sufficient livestock feed. That is borne out by expensive corn, by the fact that wheat is at times used to feed livestock, and that fodder enterprises import many protein components, such as fish meal from Peru and soya protein from China and America. Yugoslavia spends about 200 million dollars annually just to import soya.

We have joined the ranks of major producers of corn. This fall, according to corrected figures, we harvested about 9 million tons of grain. Our farmers have learned how to obtain high yields in recent years, but not how to optimally utilize them. The fact that since the 15th century, when corn was first planted on our soil, we have been raising this "gold" shows that we value its grain, and yet we leave about 5 million dried stalks and leaves standing in the fields.

Modern technology recommends using the entire stalk of the corn plant and to make silage from it. That is the way farmers in advanced countries operate. For example, France has the same amount of corn as Yugoslavia, but it uses it better and gets four times as much meat and seven times more milk. Naturally, in France corn production has advanced along with that of other grains, and pasture lands have been particularly well utilized.

We cannot, however, blame our animal growers for not behaving like the French, for up until now no one has taught them seriously how they should prepare silage. Agronomists have become increasingly rarer visitors to the villages, since they are occupied with administrative activities, sitting at meetings and living in the cities. There are exceptions in some parts of Croatia and Srem, and in some villages of Serbia and Slovenia where the preparation of silage has acquired the same importance that threshing or picking of grapes has in Serbia.

It would not be a good thing for the process of increasing and better use of livestock feeds to be speeded and supported by certain incentives. It has even been proposed that hybrid seeds suitable for silaging be provided free of cost. It is calculated that such a policy would pay. It would also pay to provide concrete for lining silo pits and ditches free of charge, while taxing concrete that is to be used for erecting expensive fences or similar construction nonsense.

Why Are Cows Eating Wheat?

Had this reorientation on using the entire corn stalk started sooner, we would today be less concerned if the harvest is late. As it is, we rejoice in every sunny, warm day, and fear the rain that can slow the harvest and make reaping the wheat practically impossible. This fall we managed to plant 1.7 million hectares, the most in the past 5 years, so that next summer we will have a harvest large enough that it will be unnecessary to import grain.

Since we are already talking about importing wheat, we should remind the reader that a greater orientation on silage and cheap feeds would help to free up the quantities that the villager, lacking anything else as a cheap feed, retains and uses to feed his cows and other livestock.

In reality, this apparently dry technical question brings with it serious economic and political consequences. For that reason, in our opinion, the introduction of new technology in animal husbandry must receive the strong support of the society, like that given two decades ago to "the Italians," the high-yield strains of wheat, and to hybrid corns and other innovations.

The speed with which this process unfolds will determine whether in 1985 we will attain a meat production figure of 1,650,000 tons. This quantity would provide surpluses worth 700 million dollars, and a bounty of meat that would on that basis bring in another 200 million dollars from the tourist industry, and enough for us as well.

This year's exports will bring in 300 million dollars, which means that at the end of this 5-year plan we are to reach fully three times greater exports. It may perhaps occur to someone that, on the basis of previous experience, this projection is overly ambitious. That, however, is not so. We have absolutely everything necessary to attain these figures, and more than enough. The only thing we lack is better organization and much more knowledge in everyday operations. Certainly, that cannot be changed overnight, but for that very reason we should begin immediately, at full steam. As proof of that assertion, we offer the example of Ireland, where they do not even plant any corn, and yet they have enough livestock to sell meat worth 900 million dollars every year. As we know, the Irish do not fast.

Reserves of 5,000,000 piglets

It would be sufficient if we would stop slaughtering piglets and calves to attain this goal. Practically, we would not have to increase the number of livestock by a single head; it is only asked that we utilize our present resources better. Just by slaughtering calves and 5,000,000 piglets, we lose enormous quantities of meat. Of each 100 head of cattle butchered, 44 are calves. Since we butcher so many piglets, the average weight of slaughtered swine is only 34 kg, while worldwide that figure is about 70 kilograms.

These calculations point out that it is essential to ban the butchering of young livestock. Many years ago, a directive forbade butchering calves, but no one respected it. If the lawmakers expect success, in this case they must take other measures that will enable stockmen to produce higher amounts of cheaper food. When they learn that, the producers themselves will be able to figure out that it does not pay them to sell veal to gourmet restaurants.

This year, during meat shortages, we blamed the exporters for impoverishing the domestic market by overemphasizing exports. When it is known that we are exporting surplus meat when it exists, and that at the same time we are also importing meat to intervene in the markets, then it is clear that the reason is on the other side. If someone must be blamed, then it is the maker of previous policies. Not those in written documents, for there everything is more or less nicely fitted into time frames and written well. We are thinking of the ones that are applied, of that collection of previous unilateral gambits and missed opportunities that can be called the real policies.

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